

Villa Santa Fe Apartments

Santa Barbara, CA

Tax-Exempt Bond and 4% LIHTC Project

Property and Project Background:

Villa Santa Fe Apartments consists of 167 senior apartments located in two locations in Santa Barbara: 521 N. La Cumbre Road (currently known as Villa La Cumbre) and 418 Santa Fe Place (currently known as SHIFCO).

Villa La Cumbre, built in 1987, was purchased by the Housing Authority of The City of Santa Barbara ("HASCBS") from the original developers in April 2000. The property is situated on 4 acres of mature landscaped grounds and includes 60 one-bedroom units, 558 sq. ft. in size, with full kitchens, bathrooms, washer/dryer hook-ups, and private patios or balconies. The total rentable space is 35,280 sq. ft. Amenities include laundry facilities, carports with storage, on-site resident manager, community garden space and a newly refurbished recreation room. Although this property has been well maintained, it is nearing 30 years of age and all units are in need of rehabilitation.

SHIFCO was originally developed in 1975 by the Senior Housing Inter-Faith Corporation (aka SHIFCO). Shortly after being placed in service, the ownership was transferred to HASCBS. The property is situated on 8.21 acres on the Mesa of Santa Barbara and overlooks the Pacific Ocean. The development consists of 106 – one-bedroom rental units, 1 – two-bedroom manager's unit, a community room and manager's office. HASCBS has paid off the existing HUD 223(d)(3) loan and, in return, received project based voucher assistance from HUD for all 106 rental units. Although the Community Room and Manager's office have undergone complete rehabilitation, the individual units are in great need of rehabilitation and updating as it is nearing 40 years of age.

HASCBS will convey the improvements of both properties to a new single purpose entity ("Villa Santa Fe Apartments, LP") at fair market value, \$28,600,000. HASCBS will take a soft second to the extent the other project sources cannot pay the sales price, rehabilitation costs and other project costs in full. HASCBS, manage the properties under a property management agreement with the Limited Partnership to retain operational control throughout the compliance period. At the end of the initial 15-year compliance period, HASCBS plans to exercise its option to repurchase the improvements at the lower of taxes due on the investor's capital account or fair market value less debt and collapse the partnership.

As the property manager, most of the project compliance obligations are shifted from the partnership to the Housing Authority thereby limiting the exposure of the limited partners. The Housing Authority will also enter into certain guarantee agreements with the Limited Partnership to ensure completion of the rehabilitation and placing the two projects into service.

As stated previously, the structure of this project, as outlined in the attached Exhibit A – Project Organizational Chart, is very similar to successful past Low-Income Housing Tax Credit Projects which includes the following:

- El Carrillo – 62 studio units
- Artisan Court - 56 studio units
- Bradley Studios – 54 studio units (anticipated completion – November 1, 2012)

Those projects were all 9% tax credit projects where there is no permanent hard debt encumbering the developments. This project, as a 4% tax credit project, will utilize tax exempt bonds and permanent hard debt. The hard debt on the project will be in the form of an FHA insured loan that is serviceable through the projects' operations with adequate capacity for replacement reserves and a debt coverage ratio 1.27.

Project Timeline:

September 18, 2012	Award of forward Commitment of Tax Exempt Bonds from CDLAC
October 5, 2012	Submit Loan Application to HUD
October 10, 2012	Award of 4% Tax Credits
January 7, 2013	Begin Property Rehabilitation – through HACSB
March 27 - -April 11, 2013	Loan and tax credit equity investor closing
December 2013	Buildings “Placed-In-Service”
March 2014	“Completion” and cost certification
September 2014	Forms 8609 issues and “Stabilization”

Villa Santa Fe Apartments – Tax Exempt Bond and 4% LIHTC Project – Summary

February 19,2012

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Project Team:

Limited Partnership/Mortgager	Villa Santa Fe Apartments LP, whose co-managing partners are Villa Santa Fe Apartments MGP LLC (Garden Court, Inc. – sole member) and 2 nd Story SB Development 1 LLC (2 nd Story Associates – sole member), both California 501c3 Corporations
Equity Investor	Alliant Capital
FHA Lender	Bellwether Enterprise
Bond Issuer	HACSB
Bond Purchaser	Citi Community Capital
Bond Counsel	Paul Thimmig of Quint & Thimmig
Property Manager/Master Lessee	HACSB
Guarantor/Sponsor	HACSB
Developer	HACSB
Construction Manager	HACSB
Financial Consultants	Adam Diskin and Russell Hirsch of DH&G
Borrower Counsel	Mark Kantor and Watt Taylor – Kantor, Taylor, Nelson, Boyd & Evatt

Villa Santa Fe Apartments, LP

**A. Building **

Housing Authority of the City of Santa Barbara

- Continues as Property Manager
- Operates the Project
- Meets All Tax Credit Compliance Requirements
- Meets All City Land Use Requirements

B. Contracted Developer

Housing Authority of the City of Santa Barbara

- Executes a Developer Agreement with Limited Partnership
- Completes Development, Financing, Construction Oversight, Permits, Operation Oversight
- Role ends upon successful lease-up and Three Year stable operations

C. Limited Partnership

Villa Santa Fe Apartments, LP

- Lease with fee owner of project
- Executes Developer Agreement with Developer to build new structures
- Executes Consulting Agreement with Financial Consultant – DH&G LLC/Papallani LLC
- Leases Project to Housing Authority for operations

General Partners:

Managing General Partner:

Villa Santa Fe Apartments MGP, LLC
(Garden Court Inc.)

Co-Managing General Partner:

2nd Story SB Development 1, LLC
(2nd Story Associates)

(together GPs hold 1/10 of 1% interest in Buildings)

Limited Partner:

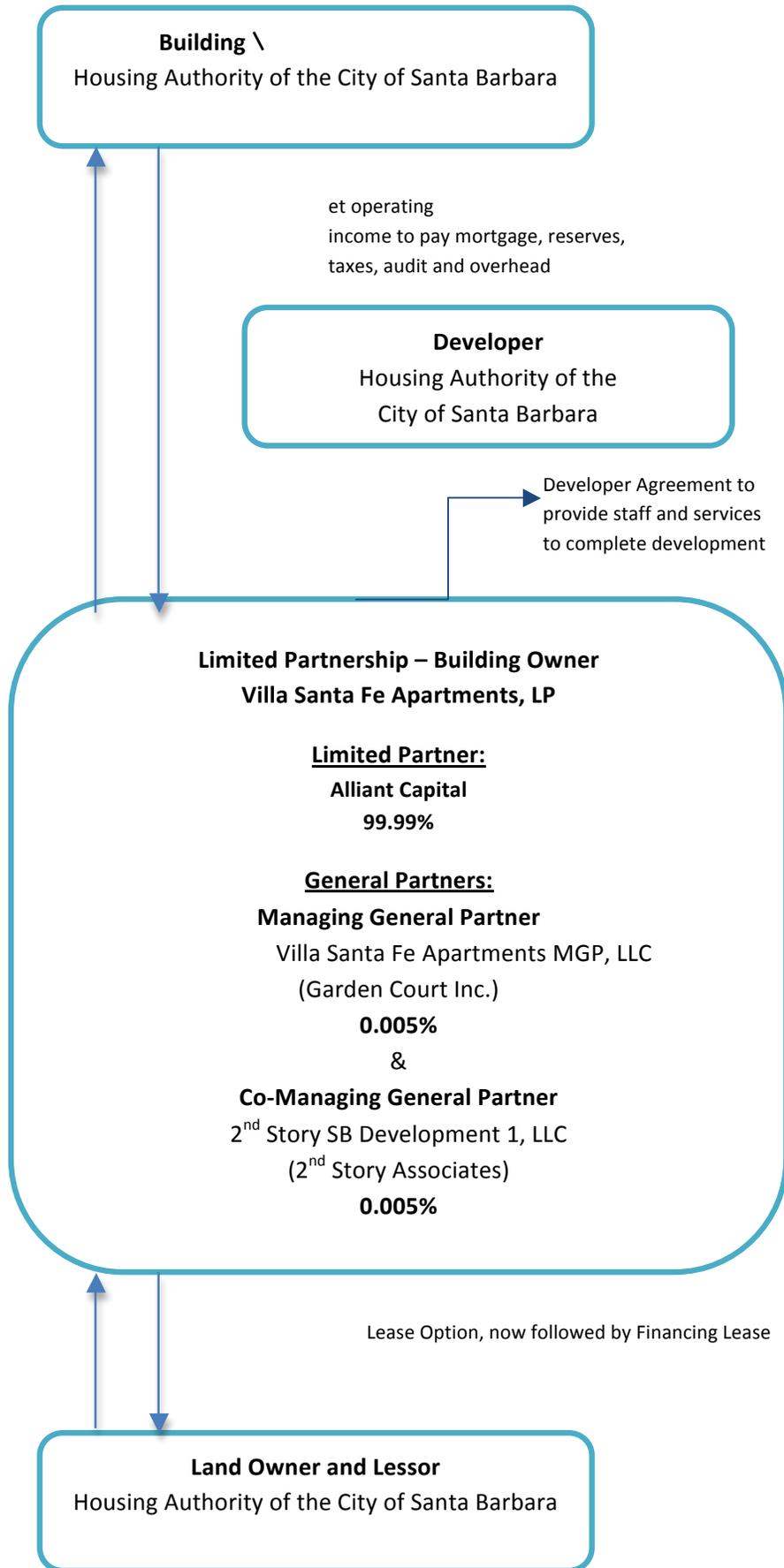
Alliant Capital

Tax Credit Investment Fund as Limited Partner
(holds a 99.9% interest in buildings)

D. Land Owner and Lessor

Housing Authority of the City of Santa Barbara

- Owns Land for the Project
- Grants Lease Option to Limited Partnership
- Leases to new Limited Partnership



Organizational Chart – Villa Santa Fe Apartments, LP