

# Villa Santa Fe Apartments

## Santa Barbara, CA

### Tax-Exempt Bond and 4% LIHTC Project

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#### **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”                      |

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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 <sup>nd</sup> Story SB Development 1 LLC (2 <sup>nd</sup> 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  |