CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 17, 2018
REVISED

Carlton Villas Apartments, located at 9345 Carlton Oaks Drive in Santee, requested and is being recommended for a reservation of $2,023,897 in annual federal tax credits to finance the acquisition and rehabilitation of 129 units of housing serving tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Islas Development, LLC and is located in Senate District 38 and Assembly District 71.

Carlton Villas Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Carlton Country Club Villas (CA-2003-897). See **Resyndication and Resyndication Transfer Event** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-18-704	
Project Name	Carlton Villas Apartments	
Site Address:	9345 Carlton Oaks Drive	
	Santee, CA 92071	County: San Diego
Census Tract:	166.14	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,023,897	$0
Recommended:	$2,023,897	$0

Applicant Information

Applicant:	Santee Affordable Communities, L.P.
Contact:	Peter Lopez-Hodoyan
Address:	1927 Adams Ave, Suite 200 San Diego, CA 92116
Phone:	480-899-3545
Email:	peter@logancapitaladvisors.com

General Partner(s) or Principal Owner(s):	Santee Communities, LLC Pacific Housing, Inc.
General Partner Type:	Joint Venture
Parent Company(ies):	Santee Communities, LLC Islas Development, LLC; Suffolk Development, LLC Watchhill Financial, LLC; Ten 4 Ten, LLC;
Developer:	Islas Development, LLC
Investor/Consultant:	AEGON USA Realty Advisors, LLC
Management Agent:	Logan Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	22
Total # of Units:	130
No. & % of Tax Credit Units:	129 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (121 Units - 93%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 58
Number of Units @ or below 60% of area median income: 71

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	February 28, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	San Diego County
TCAC Project Analyst:	Carmen Doonan

Unit Mix

24	1-Bedroom Units
68	2-Bedroom Units
38	3-Bedroom Units
130	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12	1 Bedroom	60%	60%	$1,023
1	1 Bedroom	60%	60%	$1,023
34	2 Bedrooms	60%	60%	$1,228
3	2 Bedrooms	60%	60%	$1,228
17	3 Bedrooms	60%	60%	$1,418
4	3 Bedrooms	60%	60%	$1,418
11	1 Bedroom	50%	50%	$853
31	2 Bedrooms	50%	50%	$1,023
16	3 Bedrooms	50%	50%	$1,181
1	3 Bedrooms	Manager's Unit	Manager's Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $77,026,858

Project Cost Summary at Application

Land and Acquisition	$45,225,000
Construction Costs	$0
Rehabilitation Costs	$6,436,472
Construction Contingency	$616,927
Relocation	$130,000
Architectural/Engineering	$85,000
Const. Interest, Perm. Financing	$1,453,322
Legal Fees, Appraisals	$270,000
Reserves	$774,335
Other Costs	$804,500
Developer Fee	$7,743,069
Commercial Costs	$0
Total	**$63,538,625**

Residential

Construction Cost Per Square Foot:	$63
Per Unit Cost:	$488,759
True Cash Per Unit Cost*:	$409,966

Construction Financing

Source	Amount
Citi Community Capital - T.E. Bonds	$32,700,000
Citi Community Capital - Tranche B	$15,300,000
Seller Carryback	$5,000,000
Deferred Developer Fee	$7,743,069
Existing Reserves	$54,324
Tax Credit Equity	$2,741,232

Permanent Financing

Source	Amount
Citi Community Capital	$31,990,313
Seller Carryback	$5,000,000
Deferred Developer Fee	$5,243,069
Existing Reserves	$54,324
Tax Credit Equity	$21,250,919
TOTAL	**$63,538,625**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,700,779
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$49,662,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,611,013
Qualified Basis (Acquisition):	$49,662,750
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$409,858
Maximum Annual Federal Credit, Acquisition:	$1,614,039
Total Maximum Annual Federal Credit:	$2,023,897
Approved Developer Fee (in Project Cost & Eligible Basis):	$7,743,069
Investor/Consultant:	AEGON USA Realty Advisors, LLC
Federal Tax Credit Factor:	$1.05000

Per Regulation Section 10327(c)(6), the “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$59,363,529
Actual Eligible Basis:	$59,363,529
Unadjusted Threshold Basis Limit:	$38,557,776
Total Adjusted Threshold Basis Limit:	$59,378,975

Adjustments to Basis Limit

High Opportunity Area

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 44%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2003-897). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2003-897) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”). The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $140,079. The Short Term Work amount of $140,079 is excluded from eligible basis.

Local Reviewing Agency
The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions
If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions: None.