CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 10, 2015
REVISED

Project Number CA-15-846

Project Name Cypress Cove Apartments
Site Address: 260 North Midway Drive
Escondido, CA 92027 County: San Diego
Census Tract: 202.090

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,374,225	$0
Recommended:	$1,374,225	$0

Applicant Information

Applicant: Bear Valley Housing Associates, LP
Contact: Anne B. Wilson
Address: 2815 Camino del Rio South, Suite 350
San Diego, CA 92108
Phone: 619-450-8709 Fax: (619) 282-4145
Email: awilson@chworks.org

General Partner(s) or Principal Owner(s): Mission Manzanita LLC
General Partner Type: Nonprofit
Parent Company(ies): Community HousingWorks
Developer: Community HousingWorks
Investor/Consultant: California Housing Partnership Corporation
Management Agent: ConAm Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 27
Total # of Units: 200
No. & % of Tax Credit Units: 198 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 20
Number of Units @ or below 60% of area median income: 178

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	June 15, 2015
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	San Diego County
TCAC Project Analyst:	DC Navarrette

Unit Mix

50	1-Bedroom Units
100	2-Bedroom Units
50	3-Bedroom Units
200	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	1 Bedroom	50%	49%	$740
5	2 Bedrooms	50%	49%	$888
5	2 Bedrooms	50%	49%	$888
5	3 Bedrooms	50%	49%	$1,026
45	1 Bedroom	60%	58%	$888
45	2 Bedrooms	60%	59%	$1,066
43	2 Bedrooms	60%	59%	$1,066
45	3 Bedrooms	60%	58%	$1,231
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,500

Project Cost Summary at Application	
Land and Acquisition	$26,215,820
Construction Costs	$0
Rehabilitation Costs	$6,693,668
Construction Contingency	$1,306,332
Relocation	$149,060
Architectural/Engineering	$315,000
Construction Interest/Perm Financing	$2,018,595
Legal Fees, Appraisals	$79,000
Reserves	$725,000
Other Costs	$1,013,202
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$41,015,677**

Project Financing	
Estimated Total Project Cost:	$41,015,677
Estimated Residential Project Cost:	$41,015,677

Residential	
Construction Cost Per Square Foot:	$36
Per Unit Cost:	$205,078

Construction Financing

Source	Amount
Union Bank	$33,700,000
City of Escondido - HOME	$1,000,000
PVCHA* Loan	$1,350,909
Income from Operations	$1,682,794
Accrued Interest	$82,282
Deferred Costs	$2,449,692
Tax Credit Equity	$750,000

Permanent Financing

Source	Amount
Union Bank	$19,960,000
City of Escondido - HOME	$1,000,000
PVCHA* Loan	$1,350,909
Income from Operations	$1,682,794
Bond Deposit Refund	$100,000
GP Developer Fee Contribution	$82,282
Solar Tax Credit Equity	$259,900
Deferred Developer Fee	$1,500,000
Tax Credit Equity	$15,079,792
TOTAL	**$41,015,677**

*Poway Villas Community Housing Association

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,238,155
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$27,033,580
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,609,602
Qualified Basis (Acquisition):	$27,033,580
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$482,117
Maximum Annual Federal Credit, Acquisition:	$892,108
Total Maximum Annual Federal Credit:	$1,374,225
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.09733

Per Regulation Section 10322(i)(4)(A), 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:	$38,271,735
Actual Eligible Basis:	$38,271,735
Unadjusted Threshold Basis Limit:	$57,854,700
Total Adjusted Threshold Basis Limit:	$63,640,170

Adjustments to Basis Limit:
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 3.36% 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.

Special Issues/Other Significant Information: This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Cypress Cove Apartments (CA-01-890).

The estimate of the contractor's profit, overhead and general requirement costs slightly exceed the limits established by regulation. At final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed; otherwise the Tax Credit originally awarded may be decreased.

The applicant's estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC's minimum. At placed-in-service review the 3-month operating reserve must meet the TCAC required minimum.

Local Reviewing Agency:
The Local Reviewing Agency, the City of Escondido, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	**State Tax Credits/Total**
$1,374,225	**$0**

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.

Additional Conditions: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program off-site within 1/4 mile for a minimum of 10 hours per week

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 25% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).