

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 16, 2013**

**Project Number** CA-13-879

**Project Name** Sonoma Court Apartments  
 Site Address: 508 East Mission Avenue  
 Escondido, CA 92025 County: San Diego  
 Census Tract: 202.130

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$413,320	\$0
Recommended:	\$413,320	\$0

**Applicant Information**

Applicant: Escondido Family Housing Partners, LP  
 Contact: Brendon Bergen  
 Address: 13520 Evening Creek Drive North, Suite 160  
 San Diego, CA 92128  
 Phone: 858-386-5174 Fax: 858-679-9076  
 Email: Brendon@affirmedhousing.com

General Partner(s) or Principal Owner(s): Affirmed Housing Group, Inc.  
 NEXUS for Affordable Housing, Inc.  
 General Partner Type: Joint Venture  
 Parent Company(ies): Affirmed Housing Group, Inc.  
 NEXUS for Affordable Housing, Inc.  
 Developer: Affirmed Housing Group, Inc.  
 Investor/Consultant: Enterprise Community Investment, Inc  
 Management Agent: Solari Enterprises, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 7  
 Total # of Units: 61  
 No. & % of Tax Credit Units: 60 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOPWA / HOME  
 HCD MHP Funding: No  
 Utility Allowance: CUAC  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 2  
 Number of Units @ or below 50% of area median income: 23  
 Number of Units @ or below 60% of area median income: 35

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: January 16, 2014  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Connie Harina

**Unit Mix**

1 1-Bedroom Units  
 40 2-Bedroom Units  
 20 3-Bedroom Units  
 61 Total Units

<u>Unit Type &amp; Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	35%	35%	\$529
1 2 Bedrooms	35%	35%	\$635
16 2 Bedrooms	50%	50%	\$907
22 2 Bedrooms	60%	60%	\$1,089
7 3 Bedrooms	50%	50%	\$1,048
13 3 Bedrooms	60%	60%	\$1,257
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$12,407,305  
 Estimated Residential Project Cost: \$12,407,305

**Residential**

Construction Cost Per Square Foot: \$56  
 Per Unit Cost: \$203,398

**Construction Financing****Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$7,200,000	PNC Real Estate	\$4,600,000
City of Escondido - HOME	\$948,875	City of Escondido - HOME	\$948,875
City of Escondido - HOME	\$381,335	City of Escondido - HOME	\$381,335
City of Escondido, CDC	\$1,054,269	City of Escondido, CDC	\$1,054,269
State of California DDS	\$367,500	State of California DDS	\$367,500
County of San Diego HOPWA	\$134,692	County of San Diego HOPWA	\$134,692
Operating Income	\$350,039	Operating Income	\$350,039
Deferred Developer Fee	\$478,727	Deferred Developer Fee	\$478,727
Tax Credit Equity	\$1,491,868	Tax Credit Equity	\$4,091,868
		<b>TOTAL</b>	<b>\$12,407,305</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$6,175,950
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,887,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,028,735
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$4,887,500
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$256,920
Maximum Annual Federal Credit, Acquisition:	\$156,400
Total Maximum Annual Federal Credit:	\$413,320
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,447,950
Investor/Consultant:	Enterprise Community Investment, Inc.
Federal Tax Credit Factor:	\$0.99000

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:	\$11,063,450
Actual Eligible Basis:	\$11,063,450
Unadjusted Threshold Basis Limit:	\$17,802,972
Total Adjusted Threshold Basis Limit:	\$25,636,280

**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: 38%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 6%

**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 3.20% 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, Sonoma Court Apartments (CA-97-953).

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$413,320</b>	<b>\$0</b>

**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 on-site

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 buildings by a 15% 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).