

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 18, 2015

REVISED

Project Number CA-15-806

Project Name The Crossings at Escondido Manor
Site Address: 1150-1166 N. Escondido Blvd
Escondido, CA 92026 County: San Diego
Census Tract: 201.080

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$377,566	\$0
Recommended:	\$377,566	\$0

Applicant Information

Applicant: UHC 00670 Escondido, L.P.
Contact: John F. Bigley
Address: 2000 E. Fourth Street, Suite 205
Santa Ana, CA 92705
Phone: 714 835-3955 Fax: 714 835-3275
Email: Jbigley@uhcllc.net

General Partner(s) or Principal Owner(s): Ikaika Ohana, a Hawaii non-profit corporation
General Partner Type: Nonprofit
Parent Company(ies): Ikaika Ohana, a Hawaii non-profit corporation
Developer: UHC 00670 Escondido Development LLC
Investor/Consultant: RBC Capital Markets
Management Agent: Hyder Property Management Professionals

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 44
No. & % of Tax Credit Units: 43 100.00%
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: 5
Number of Units @ or below 60% of area median income: 38

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: April 12, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

44 2-Bedroom Units
 44 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 2 Bedrooms	50%	50%	\$888
22 2 Bedrooms	60%	60%	\$1,066
16 2 Bedrooms	60%	58%	\$1,025
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$11,805,549
 Estimated Residential Project Cost: \$11,805,549

Residential

Construction Cost Per Square Foot: \$66
 Per Unit Cost: \$268,308

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$6,140,000
City of Escondido	\$4,100,000
Deferred Developer Fee	\$838,558
Tax Credit Equity	\$726,991

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$3,660,000
City of Escondido	\$4,100,000
Income from Operations	\$119,341
Deferred Developer Fee	\$226,061
Tax Credit Equity	\$3,700,147
TOTAL	\$11,805,549

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,080,155
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,943,406
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,304,202
Qualified Basis (Acquisition):	\$5,943,406
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$177,868
Maximum Annual Federal Credit, Acquisition:	\$199,698
Total Maximum Annual Federal Credit:	\$377,566
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.98000

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:	\$10,023,561
Actual Eligible Basis:	\$10,023,561
Unadjusted Threshold Basis Limit:	\$12,390,400
Total Adjusted Threshold Basis Limit:	\$16,231,424

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 11%

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: None.

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
\$377,566	\$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: None.