

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

Ventaliso II, located at 609 Richmar Avenue in San Marcos, requested and is being recommended for a reservation of \$272,117 in annual federal tax credits to finance the acquisition and rehabilitation of 48 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Affirmed Housing Group and is located in Senate District 38 and Assembly District 75.

Ventaliso II is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Ventaliso II (CA-00-037). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-15-923

Project Name Ventaliso II
 Site Address: 609 Richmar Ave.
 San Marcos, CA 92078 County: San Diego
 Census Tract: 200.290

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$272,117	\$0
Recommended:	\$272,117	\$0

Applicant Information

Applicant: Ventaliso Family Housing, L.P.
 Contact: Jeanne Blake
 Address: 13520 Evening Creek Drive North, Suite 160
 San Diego, CA 92128
 Phone: 858-386-5179 Fax: 858-679-9076
 Email: jeanne@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

Investor/Consultant: WNC

Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 3
 Total # of Units: 48
 No. & % of Tax Credit Units: 47 100.00%
 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 35% of area median income: 5
 Number of Units @ or below 50% of area median income: 29
 Number of Units @ or below 60% of area median income: 13

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: February 1, 2016
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

12 1-Bedroom Units
 20 2-Bedroom Units
 16 3-Bedroom Units

 48 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	30%	30%	\$455
8 1 Bedroom	50%	50%	\$759
3 1 Bedroom	60%	60%	\$911
2 2 Bedrooms	30%	30%	\$546
3 2 Bedrooms	40%	40%	\$729
7 2 Bedrooms	50%	50%	\$911
7 2 Bedrooms	60%	60%	\$1,093
2 3 Bedrooms	30%	30%	\$631
2 3 Bedrooms	40%	40%	\$842
9 3 Bedrooms	50%	50%	\$1,053
3 3 Bedrooms	60%	60%	\$1,263
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,600,000
Construction Costs	\$0
Rehabilitation Costs	\$1,763,772
Construction Contingency	\$141,000
Relocation	\$0
Architectural/Engineering	\$130,000
Construction Interest, Perm Financing	\$536,223
Legal Fees, Appraisals	\$170,000
Reserves	\$113,000
Other Costs	\$372,881
Developer Fee	\$970,452
Commercial Costs	\$0
Total	\$8,797,328

Project Financing

Estimated Total Project Cost:	\$8,797,328
Estimated Residential Project Cost:	\$8,797,328

Residential

Construction Cost Per Square Foot:	\$41
Per Unit Cost:	\$183,278

Construction Financing

Source	Amount
US Bank	\$5,026,045
City of San Marcos	\$1,500,000
Accrued Interest	\$250,912
County of San Diego - HOME	\$480,000
Construction Period Income	\$180,000
Deferred Developer Fee	\$265,234
Tax Credit Equity	\$1,095,137

Permanent Financing

Source	Amount
US Bank	\$2,750,000
City of San Marcos	\$1,500,000
Accrued Interest	\$250,912
County of San Diego - HOME	\$480,000
Seller Carry Back Note	\$650,000
Construction Period Income	\$180,000
Deferred Developer Fee	\$265,234
Tax Credit Equity	\$2,721,182
TOTAL	\$8,797,328

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,369,135
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,071,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,379,876
Qualified Basis (Acquisition):	\$4,071,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$137,774
Maximum Annual Federal Credit, Acquisition:	\$134,343
Total Maximum Annual Federal Credit:	\$272,117
Approved Developer Fee (in Project Cost & Eligible Basis):	\$970,452
Investor/Consultant:	WNC
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10322(h)(9)(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:	\$7,440,135
Actual Eligible Basis:	\$7,440,135
Unadjusted Threshold Basis Limit:	\$14,805,656
Total Adjusted Threshold Basis Limit:	\$26,798,237

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: 61%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

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 3.30% 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

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. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires 12/31/2055. The existing regulatory agreement requires that of the 36 low-income units noted, the income targeting is 4 units at or below 30% AMI, 4 units at or below 40% AMI, 18 units at or below 50% AMI.

The applicant received and was granted a partial waiver to the accessibility requirements for the minimum construction standards of TCAC Regulation Section 10325(f)(7)(K). Specifically, five percent (5%) of the units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the movement of load-bearing walls or plumbing chases. An additional five percent (5%) of the units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the movement of walls or other structural modifications.

Local Reviewing Agency

The Local Reviewing Agency, the City of San Marcos, 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
\$272,117	\$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.