

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 18, 2016**

Paradise Creek Housing II, located at 2010 & 2030 Hoover Avenue in National City, requested and is being recommended for a reservation of \$1,881,601 in annual federal tax credits to finance the new construction of 91 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Related Development Company of California, LLC and will be located in Senate District 40 and Assembly District 80.

The project financing includes state funding from the AHSC and IIG programs of HCD.

**Project Number** CA-16-867

**Project Name** Paradise Creek Housing II  
**Site Address:** 2010 & 2030 Hoover Avenue  
National City, CA 91950 County: San Diego  
**Census Tract:** 219.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,881,601	\$0
Recommended:	\$1,881,601	\$0

**Applicant Information**

**Applicant:** Paradise Creek II Housing Partners, L.P.  
**Contact:** Frank Cardone  
**Address:** 18201 Von Karman Suite 900  
Irvine, CA 92612  
**Phone:** 949.660.7272 **Fax:** 949.660.7273  
**Email:** fcardone@related.com

**General Partner(s) or Principal Owner(s):** Related/Paradise Creek II Development Co., LLC  
CHW Paradise Creek II Development Co., LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** The Related Companies of California  
Community HousingWorks, LLC

**Developer:** Related Development Company of California, LLC

**Investor/Consultant:** US Bank

**Management Agent:** Related Management Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 92  
 No. & % of Tax Credit Units: 91 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 11  
 Number of Units @ or below 50% of area median income: 80

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: July 1, 2016  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

6 SRO/Studio Units  
 21 1-Bedroom Units  
 36 2-Bedroom Units  
 29 3-Bedroom Units  


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 92 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	30%	30%	\$425
2 SRO/Studio	40%	40%	\$567
3 SRO/Studio	50%	50%	\$708
3 1 Bedroom	30%	30%	\$455
5 1 Bedroom	40%	40%	\$607
13 1 Bedroom	50%	50%	\$759
4 2 Bedrooms	30%	30%	\$546
8 2 Bedrooms	40%	40%	\$729
5 2 Bedrooms	50%	47%	\$854
18 2 Bedrooms	50%	50%	\$911
3 3 Bedrooms	30%	30%	\$631
6 3 Bedrooms	40%	40%	\$842
6 3 Bedrooms	50%	45%	\$949
14 3 Bedrooms	50%	50%	\$1,053
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,270,000
Construction Costs	\$35,327,500
Rehabilitation Costs	\$0
Construction Contingency	\$200,000
Relocation	\$0
Architectural/Engineering	\$3,056,193
Const. Interest, Perm. Financing	\$3,295,853
Legal Fees, Appraisals	\$205,000
Reserves	\$310,167
Other Costs	\$6,164,150
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$54,328,863</b>

**Project Financing**

Estimated Total Project Cost:	\$54,328,863
Estimated Residential Project Cost:	\$54,328,863
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$411
Per Unit Cost:	\$590,531
Effective Per Unit Cost:	\$555,531

**Construction Financing**

Source	Amount
Union Bank	\$30,396,317
Community HousingWorks (CDC)	\$8,409,000
Community HousingWorks (IIG)	\$4,000,000
HCD - AHSC Grant	\$5,480,271
Ground Lease Donation	\$3,220,000
Deferred Developer Fee	\$810,163
Tax Credit Equity	\$2,013,112

**Permanent Financing**

Source	Amount
Union Bank	\$2,827,858
Community HousingWorks (CDC)	\$14,909,000
Community HousingWorks (IIG)	\$4,000,000
HCD - AHSC Grant	\$5,480,271
HCD - AHSC Loan	\$3,760,617
Ground Lease Donation	\$3,220,000
Tax Credit Equity	\$20,131,117
<b>TOTAL</b>	<b>\$54,328,863</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$44,534,939
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$57,895,421
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,881,601
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	US Bank
Federal Tax Credit Factor:	\$1.06989

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:	\$44,534,939
Actual Eligible Basis:	\$44,534,939
Unadjusted Threshold Basis Limit:	\$26,480,171
Total Adjusted Threshold Basis Limit:	\$56,585,566

**Adjustments to Basis Limit**

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 87%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 24%

**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.

**Special Issues/Other Significant Information**

This project is the 2nd phase of a previously awarded nine percent (9%) application, Paradise Creek Housing (CA-14-038).

**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.

**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**  
**\$1,881,601**

**State Tax Credits/Total**  
**\$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.