CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 16, 2018

Channel Island Park Apartments, located at 931 Bismark Way in Oxnard, requested and is being recommended for a reservation of $1,670,387 in annual federal tax credits to finance the acquisition and rehabilitation of 150 units of housing serving tenants with rents affordable to households earning 50-60% AMI% of area median income (AMI). The project will be developed by DeSola and is located in Senate District 19 and Assembly District 44.

Channel Island Park Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Channel Island Park Apartments (CA-2003-847). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-18-752

Project Name Channel Island Park Apartments
Site Address: 931 Bismark Way
Oxnard, CA 93033 County: Ventura
Census Tract: 47.11

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,670,387	$0
Recommended:	$1,670,387	$0

Applicant Information
Applicant: Channel Island Apartments, L.P.
Contact: John McGee
Address: 18006 Sky Park Circle, #200
Irvine, CA 93033
Phone: (949) 440-2330
Email: jmcgee@desoladev.com

General Partner(s) or Principal Owner(s): Channel Island Apartments GP, LLC
AOF Channel, LLC
General Partner Type: Joint Venture
Parent Company(ies): DeSola Capital Group, LLC
AOF/Pacific Affordable Housing Corp.
Developer: DeSola Development Associates, LLC
Investor/Consultant: PNC Bank, N.A.
Management Agent: Sage Apartment Communities, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	16
Total # of Units:	152
No. / % of Low Income Units:	150 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt/HUD Section 8-Project Based Contract (148 units-98.66%)

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	June 15, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Marisol Parks

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	46	31%
At or Below 60% AMI:	104	69%

Unit Mix

38 1-Bedroom Units
78 2-Bedroom Units
36 3-Bedroom Units
152 Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12	1 Bedroom	50%	50%	$937
25	1 Bedroom	60%	60%	$1,125
1	1 Bedroom	60%	60%	$1,125
23	2 Bedrooms	50%	50%	$1,125
52	2 Bedrooms	60%	60%	$1,350
1	2 Bedrooms	60%	60%	$1,350
11	3 Bedrooms	50%	50%	$1,298
25	3 Bedrooms	60%	60%	$1,558
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $48,927,780

Project Cost Summary at Application

Land and Acquisition	$37,500,000
Construction Costs	$0
Rehabilitation Costs	$7,174,866
Construction Contingency	$717,487
Relocation	$400,000
Architectural/Engineering	$100,000
Const. Interest, Perm. Financing	$2,321,100
Legal Fees, Appraisals	$185,000
Reserves	$856,361
Other Costs	$625,873
Developer Fee	$6,670,715
Commercial Costs	$0
Total	**$56,551,402**

Residential

Construction Cost Per Square Foot:	$56
Per Unit Cost:	$372,049
True Cash Per Unit Cost*:	$366,912

Construction Financing

Source	Amount
JLL Capital Markets	$35,500,000
Net Operating Income	$1,518,008
Deferred Costs	$856,361
Deferred Developer Fee	$6,199,679
Tax Credit Equity	$12,477,354

Permanent Financing

Source	Amount
JLL Capital Markets	$34,100,000
Net Operating Income	$1,518,008
General Partner Equity	$4,786,563
Deferred Developer Fee	$780,807
Tax Credit Equity	$15,366,024
TOTAL	**$56,551,402**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,097,154
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$38,985,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,097,154
Qualified Basis (Acquisition):	$38,985,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$395,577
Maximum Annual Federal Credit, Acquisition:	$1,274,810
Total Maximum Annual Federal Credit:	$1,670,387
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,670,715
Investor/Consultant:	PNC Bank, N.A.
Federal Tax Credit Factor:	$0.91991

Per Regulation Section 10327(c)(6), 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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$51,082,154
Actual Eligible Basis:	$51,082,154
Unadjusted Threshold Basis Limit:	$54,889,322
Total Adjusted Threshold Basis Limit:	$71,356,119

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 30%

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 meet 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 3.27% 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.

Significant Information / Additional Conditions

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2003-847). 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 newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households must be re-qualified under the new reservation; the existing regulatory agreement (CA-03-847) does not incorporate the required extended use language; existing households are NOT "grandfathered." The applicant should consult TCAC compliance staff with questions about the re-qualification.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $780,807. There is a general partner equity contribution of at least $780,807, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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

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.

CDLAC Additional Conditions: None