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

Cobblestone Village, located at 360 E. Washington Avenue in Escondido, requested and is being recommended for a reservation of $359,980 in annual federal tax credits to finance the acquisition and rehabilitation of 43 units of housing serving large families with rents affordable to households earning 20%-60% of area median income (AMI). The project will be developed by National Community Renaissance and is located in Senate District 38 and Assembly District 75.

Cobblestone Village is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Washington Plaza Apartments (CA-2001-817). See **Resyndication and Resyndication Transfer Event** below for additional information. The project financing includes state funding from HCD.

Project Number	CA-18-754		
Project Name	Cobblestone Village		
Site Address:	360 E. Washington Avenue		
	Escondido, CA 92025	County:	San Diego
Census Tract:	36.01		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$359,980	$0
Recommended:	$359,980	$0

Applicant Information

Applicant:	Cobblestone Apartments, L.P.
Contact:	Kevin Chin, VP Project Development
Address:	9421 Haven Avenue
	Rancho Cucamonga, CA 91730
Phone:	909-204-3450
Email:	kchin@nationalcore.org

General Partner(s) or Principal Owner(s):	Cobblestone Apartments GP, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	National Community Renaissance
Developer:	National Community Renaissance
Investor/Consultant:	WNC & Associates
Management Agent:	National Community Renaissance

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	12
Total # of Units:	44
No. / % of Low Income Units:	43 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
Utility Allowance:	HUD

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	June 15, 2018

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Alex Ninh

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 20% AMI:	5	12%
At or Below 30% AMI:	9	21%
At or Below 60% AMI:	29	67%

Unit Mix

44 3-Bedroom Units

44 Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	3 Bedrooms	20%	18%	$425
9	3 Bedrooms	30%	24%	$572
29	3 Bedrooms	60%	50%	$1,190
1	3 Bedrooms	Manager's Unit	Manager's Unit	$1,133

TCAC-confirmed Projected Lifetime Rent Benefit: $20,719,380

Project Cost Summary at Application

Land and Acquisition	$6,080,000
Construction Costs	$0
Rehabilitation Costs	$2,686,477
Construction Contingency	$268,648
Relocation	$44,000
Architectural/Engineering	$152,000
Const. Interest, Perm. Financing	$612,848
Legal Fees, Appraisals	$140,000
Reserves	$114,000
Other Costs	$248,640
Developer Fee	$1,264,228
Commercial Costs	$0
Total	**$11,610,841**

Residential

Construction Cost Per Square Foot:	$56
Per Unit Cost:	$263,883
True Cash Per Unit Cost*:	$251,288

Construction Financing

Source	Amount
Pacific Western Bank	$5,750,000
Seller Loan	$400,000
City of Escondido	$3,078,284
HCD	$1,815,190
Net Operating Income	$167,368
GP Equity	$400,000

Permanent Financing

Source	Amount
Pacific Western Bank	$2,176,000
Seller Loan	$400,000
City of Escondido	$3,078,284
HCD	$1,815,190
Net Operating Income	$167,368
Deferred Developer Fee	$154,181
GP Equity	$400,000
Tax Credit Equity	$3,419,818
TOTAL	**$11,610,841**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,391,266
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$5,301,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,708,646
Qualified Basis (Acquisition):	$5,301,500
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$186,621
Maximum Annual Federal Credit, Acquisition:	$173,359
Total Maximum Annual Federal Credit:	$359,980
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,264,228
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.95000

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.

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:	$9,692,766
Actual Eligible Basis:	$9,692,766
Unadjusted Threshold Basis Limit:	$17,436,672
Total Adjusted Threshold Basis Limit:	$28,596,142

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targetedat 35% AMI or Below: 64%

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 3.27% 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: None.

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-2001-817). 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), restricted to 5 of the Units at or below 20% of State Median Gross Income, 9 of the Units is at or below 30% of State Median Gross Income, and in 29 of the Units is at or below 60% of the Area Median Gross Income, such Units shall be Rent-Restricted in accordance with such income level. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-01-817) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirement under TCAC Regulation Section 10320(b)(4)(B).

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.

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.