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

Parkside Apartments, located at 4035 Park Haven Court in San Diego, requested and is being recommended for a reservation of $317,239 in annual federal tax credits to finance the acquisition and rehabilitation of 39 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by National Community Renaissance and is located in Senate District 40 and Assembly District 80.

Parkside Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Parkside Apartments (CA-2001-870). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number	CA-18-755	
Project Name	Parkside Apartments	
Site Address:	4035 Park Haven Court	
	San Diego, CA 92113	County: San Diego
Census Tract:	31.15	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$317,239	$0
Recommended:	$317,239	$0

Applicant Information

Applicant:	Parkside SD 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):	Parkside 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:	5
Total # of Units:	40
No. / % of Low Income Units:	39 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

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 50% AMI:	21	54%
At or Below 60% AMI:	18	46%

Unit Mix

5	1-Bedroom Units
30	2-Bedroom Units
5	3-Bedroom Units
40	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	50%	$853
2	1 Bedroom	60%	60%	$1,023
15	2 Bedrooms	50%	50%	$1,023
14	2 Bedrooms	60%	60%	$1,228
3	3 Bedrooms	50%	50%	$1,181
2	3 Bedrooms	60%	58%	$1,364
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,364

TCAC-confirmed Projected Lifetime Rent Benefit: $8,555,580

Project Cost Summary at Application

Land and Acquisition	$5,200,000
Construction Costs	$0
Rehabilitation Costs	$2,028,961
Construction Contingency	$202,896
Relocation	$40,000
Architectural/Engineering	$152,000
Const. Interest, Perm. Financing	$627,183
Legal Fees, Appraisals	$115,000
Reserves	$117,000
Other Costs	$246,573
Developer Fee	$1,127,184
Commercial Costs	$0
Total	**$9,856,797**

Residential

Construction Cost Per Square Foot:	$64
Per Unit Cost:	$246,420
True Cash Per Unit Cost*:	$199,875

Construction Financing

Source	Amount
Pacific Western Bank	$4,750,000
SD Housing Commission	$1,962,336
Seller Loan	$1,850,000
Net Operating Income	$240,880
Deferred Developer Fee	$1,053,581

Permanent Financing

Source	Amount
Pacific Western Bank	$2,778,000
SD Housing Commission	$1,962,336
Seller Loan	$1,850,000
Net Operating Income	$240,880
Deferred Developer Fee	$11,810
Tax Credit Equity	$3,013,771
TOTAL	**$9,856,797**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,535,743
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$5,106,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,596,466
Qualified Basis (Acquisition):	$5,106,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$150,273
Maximum Annual Federal Credit, Acquisition:	$166,966
Total Maximum Annual Federal Credit:	$317,239
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,127,184
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:	$8,641,743
Actual Eligible Basis:	$8,641,743
Unadjusted Threshold Basis Limit:	$12,639,418
Total Adjusted Threshold Basis Limit:	$19,338,310

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: 53%

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/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-2001-870). 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 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-01-870) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service

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

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program on-site for a minimum of 10 hours per week