CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

Cordova Trolley Rehabs, located at 750 Ada Street and 1280 East J Street in Chula Vista, requested and is being recommended for a reservation of $368,701 in annual federal tax credits to finance the acquisition and rehabilitation of 57 units of housing serving large families with rents affordable to households earning 40-60% of area median income (AMI). The project will be developed by South Bay Community Services and is located in Senate District 40 and Assembly District 80.

Cordova Trolley Rehabs is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Cordova Village Apartments (CA-1997-929) and Trolley Terrace Townhomes (CA-1997-613). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number	CA-18-612	
Project Name	Cordova Trolley Rehabs	
Site Address:	**Trolley Terrace Townhomes** 750 Ada Street Chula Vista, CA 91911	**Cordova Village Apartments** 1280 East J Street Chula Vista, CA 91910
Census Tract:	0132.05	0134.14
County:	San Diego	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$368,701	$0
Recommended:	$368,701	$0

Applicant Information

Applicant:	South Bay Community Services
Contact:	Kathryn Lembo
Address:	430 F Street Chula Vista, CA 91910
Phone:	619-420-3620
Email:	klembo@csbcs.org

General Partner(s) or Principal Owner(s):	South Bay Community Services
General Partner Type:	Nonprofit
Parent Company(ies):	South Bay Community Services
Developer:	South Bay Community Services
Investor/Consultant:	Red Stone Equity Partners
Management Agent:	Hyder Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	14
Total # of Units:	58
No. / % of Low Income Units:	57 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	The Chula Vista Housing Authority
Expected Date of Issuance:	September 30, 2018

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	26	46%
At or Below 60% AMI:	31	54%

Unit Mix

20	2-Bedroom Units
30	3-Bedroom Units
8	4-Bedroom Units
58	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
Trolley Terrace Townhomes				
4	2 Bedrooms	40%	34%	$736
13	3 Bedrooms	40%	32%	$818
1	3 Bedrooms*	40%	32%	$818
Cordova Village Apartments				
3	2 Bedrooms	50%	42%	$920
13	2 Bedrooms	60%	50%	$1,104
3	3 Bedrooms	50%	40%	$1,023
12	3 Bedrooms	60%	48%	$1,227
2	4 Bedrooms	50%	39%	$1,104
6	4 Bedrooms	60%	47%	$1,325
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

*Low Income Manager's Unit

TCAC-confirmed Projected Lifetime Rent Benefit: $30,086,760

Project Cost Summary at Application

Land and Acquisition	$6,580,000
Construction Costs	$0
Rehabilitation Costs	$2,728,283
Construction Contingency	$270,328
Relocation	$56,900
Architectural/Engineering	$229,600
Const. Interest, Perm. Financing	$586,253
Legal Fees, Appraisals	$70,000
Reserves	$604,824
Other Costs	$442,101
Developer Fee	$1,416,463
Commercial Costs	$0
Total	**$12,984,751**

Residential

Construction Cost Per Square Foot:	$44
Per Unit Cost:	$223,875
True Cash Per Unit Cost*:	$187,512

Construction Financing

Source	Amount
Banner Bank	$6,650,000
City of Chula Vista - Assumed	$1,438,858
City of Chula Vista - Assumed	$1,404,837
Seller Carryback	$2,001,154
Existing Reserves	$513,057
Income from Operations	$175,000
Deferred Developer Fee	$107,925
Tax Credit Equity	$693,920

Permanent Financing

Source	Amount
Banner Bank	$3,915,000
City of Chula Vista - Assumed	$1,438,859
City of Chula Vista - Assumed	$1,404,837
Seller Carryback	$2,001,154
Existing Reserves	$513,057
Income from Operations	$175,000
Deferred Developer Fee	$107,925
Tax Credit Equity	$3,428,919
TOTAL	**$12,984,751**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,470,214
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,389,335
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,811,278
Qualified Basis (Acquisition):	$6,389,335
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$159,770
Maximum Annual Federal Credit, Acquisition:	$208,931
Total Maximum Annual Federal Credit:	$368,701
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,416,463
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	$0.93000

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$10,859,549
Actual Eligible Basis:	$10,859,549
Unadjusted Threshold Basis Limit:	$21,612,560
Total Adjusted Threshold Basis Limit:	$31,338,212

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: 45%

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

This project involves the rehabilitation of 2 scattered-sites in the City of Chula Vista.

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 Agreements (CA-1997-929) and (CA-1997-613). 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 agreements (CA-1997-929) and (CA-1997-613) 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 requirements 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.