CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Hillside Views, located at 5471 Bayview Heights Place in San Diego, requested and is being recommended for a reservation of $2,347,891 in annual federal tax credits to finance the acquisition and rehabilitation of 297 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 Metropolitan Area Advisory Committee on Anti-Poverty of San Diego County, Inc. and is located in Senate District 39 and Assembly District 79.

Hillside Views is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, President John Adams Manor Apartments (CA-1998-989). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number	CA-18-619	
Project Name	Hillside Views	
Site Address:	5471 Bayview Heights Place	
	San Diego, CA 92105	County: San Diego
Census Tract:	27.12	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,347,891	$0
Recommended:	$2,347,891	$0

Applicant Information

Applicant:	5471 Bayview Heights, L.P.
Contact:	Isabel St. Germain
Address:	5471 Bayview Heights Place San Diego, CA 92105
Phone:	619-426-3595
Email:	istgermainsingh@maacproject.org

General Partner(s) or Principal Owner(s):	MAAC** Kingdom Development, Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	MAAC** Kingdom Development, Inc.
Developer:	MAAC**
Investor/Consultant:	Red Stone Equity Partners
Management Agent:	MAAC**

**Metropolitan Area Advisory Committee on Anti-Poverty of San Diego County, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	37
Total # of Units:	300
No. / % of Low Income Units:	297 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	San Diego Housing Commission
Expected Date of Issuance:	December 1, 2018

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	30	10%
At or Below 60% AMI:	267	90%

Unit Mix

44	1-Bedroom Units
208	2-Bedroom Units
48	3-Bedroom Units
300	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	1 Bedroom	50%	50%	$913
33	1 Bedroom	60%	50%	$913
6	1 Bedroom	60%	60%	$1,096
21	2 Bedrooms	50%	50%	$1,095
143	2 Bedrooms	60%	50%	$1,095
44	2 Bedrooms	60%	60%	$1,314
4	3 Bedrooms	50%	50%	$1,265
6	3 Bedrooms	60%	50%	$1,265
35	3 Bedrooms	60%	60%	$1,518
3	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $76,784,400

Project Cost Summary at Application	
Land and Acquisition	$48,400,000
Construction Costs	$0
Rehabilitation Costs	$15,487,743
Construction Contingency	$2,388,309
Relocation	$900,000
Architectural/Engineering	$350,000
Const. Interest, Perm. Financing	$3,150,296
Legal Fees, Appraisals	$575,000
Reserves	$1,130,725
Other Costs	$926,966
Developer Fee	$9,365,342
Commercial Costs	$0
Total	**$82,674,381**

Residential	
Construction Cost Per Square Foot:	$57
Per Unit Cost:	$275,581
True Cash Per Unit Cost*:	$180,649

Construction Financing

Source	Amount
RBC Capital Markets - T.E. Bonds	$29,000,000
CA Bank & Trust - T.E. Bonds	$12,000,000
Seller Credit	$1,500,619
Seller Carry Back Loan	$23,300,000
Replacement Reserves	$50,000
Deferred Developer Fee	$7,081,808
Tax Credit Equity	$9,741,954

Permanent Financing

Source	Amount
Red Mortgage Capital	$27,556,962
Seller Credit	$1,500,619
Seller Carry Back Loan	$23,300,000
Replacement Reserves	$50,000
Operating Income	$1,962,719
Deferred Developer Fee	$5,179,677
Tax Credit Equity	$23,124,404
TOTAL	**$82,674,381**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$22,580,961
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$49,220,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$22,580,961
Qualified Basis (Acquisition):	$49,220,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$738,397
Maximum Annual Federal Credit, Acquisition:	$1,609,494
Total Maximum Annual Federal Credit:	$2,347,891
Approved Developer Fee (in Project Cost & Eligible Basis):	$9,365,342
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	$0.98490

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:	$71,800,961
Actual Eligible Basis:	$71,800,961
Unadjusted Threshold Basis Limit:	$94,711,576
Total Adjusted Threshold Basis Limit:	$104,182,734

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: 10%

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-1998-989). 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-1998-989) 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 with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $1,500,619. In consideration of requirement of the Short Term Work requirement, the seller of the project will give a credit in the amount of at least $1,500,619. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

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.