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

Cascade Sonrise, located at 7222 Sierra Avenue in Fontana, requested and is being recommended for a reservation of $707,492 in annual federal tax credits to finance the acquisition and rehabilitation of 79 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Cascade Sonrise Development Corporation and is located in Senate District 20 and Assembly District 47.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number	CA-18-626	
Project Name	Cascade Sonrise	
Site Address:	7222 Sierra Avenue	
	Fontana, CA 92336	County: San Bernardino
Census Tract:	23.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$707,492	$0
Recommended:	$707,492	$0

Applicant Information

Applicant:	Cascade Sonrise, L.P.
Contact:	Chris Singleton
Address:	17977 Merrill Avenue
	Fontana, CA 92335
Phone:	(760) 534-6019
Email:	chris@sonriseproject.com

General Partner(s) or Principal Owner(s):	Cascade Sonrise GP, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Sonrise Senior Citizens Villa, Inc.
	Kingdom Development, Inc.
Developer:	Cascade Sonrise Development Corporation
Investor/Consultant:	Red Stone Equity Partners
Management Agent:	The John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	80
No. / % of Low Income Units:	79 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (79 Units / 100%)

Bond Information

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

Information

Housing Type:	Seniors
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	11	14%
At or Below 60% AMI:	68	86%

Unit Mix

20	SRO/Studio Units
60	1-Bedroom Units
80	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	SRO/Studio	50%	50%	$590
17	SRO/Studio	60%	60%	$708
8	1 Bedroom	50%	50%	$632
51	1 Bedroom	60%	60%	$758
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $14,596,560

Project Cost Summary at Application

Land and Acquisition	$9,470,000
Construction Costs	$0
Rehabilitation Costs	$6,766,320
Construction Contingency	$150,000
Relocation	$371,500
Architectural/Engineering	$249,462
Const. Interest, Perm. Financing	$903,608
Legal Fees, Appraisals	$217,700
Reserves	$386,273
Other Costs	$312,192
Developer Fee	$2,465,395
Commercial Costs	$0
Total	**$21,292,450**

Residential

Construction Cost Per Square Foot:	$119
Per Unit Cost:	$266,156
True Cash Per Unit Cost*:	$178,547

Construction Financing

Source	Amount
Citibank, N.A. - T.E. Bonds	$10,500,000
Seller Carryback Loan	$6,000,000
Seller Reserves	$386,273
Operating Income	$227,112
Deferred Costs	$2,745,707
Tax Credit Equity	$1,433,358

Permanent Financing

Source	Amount
Citibank, N.A. - T.E. Bonds	$6,300,000
Seller Carryback Loan	$6,000,000
Seller Reserves	$386,273
Operating Income	$452,575
Deferred Developer Fee	$1,008,657
Tax Credit Equity	$7,144,945
TOTAL	**$21,292,450**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,114,862
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$9,786,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$11,849,321
Qualified Basis (Acquisition):	$9,786,500
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$387,473
Maximum Annual Federal Credit, Acquisition:	$320,019
Total Maximum Annual Federal Credit:	$707,492
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,465,395
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	$1.00990

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:	$18,901,362
Actual Eligible Basis:	$18,901,362
Unadjusted Threshold Basis Limit:	$19,851,520
Total Adjusted Threshold Basis Limit:	$22,432,218

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: 13%

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. None.

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 complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.