

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

Escondido Gardens Apartments, located at 500 N Midway Drive in Escondido, requested and is being recommended for a reservation of \$529,347 in annual federal tax credits to finance the acquisition and rehabilitation of 90 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by DAL Development LLC and is located in Senate District 38 and Assembly District 75.

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

**Project Number** CA-18-782

**Project Name** Escondido Gardens Apartments  
 Site Address: 500 N Midway Drive  
 Escondido, CA 92027 County: San Diego  
 Census Tract: 202.09

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$529,347	\$0
Recommended:	\$529,347	\$0

**Applicant Information**

Applicant: Escondido Gardens Partners, LP  
 Contact: David Beacham  
 Address: PO Box 33882  
 San Diego, CA 92163  
 Phone: (760) 579-2093  
 Email: dabdaldevelopment@gmail.com

General Partner(s) or Principal Owner(s): Escondido Gardens Management, LLC  
 Metro Hotel Community Association

General Partner Type: Joint Venture

Parent Company(ies): C&C Development Group LLC/DAL Development LLC  
 Alpha Project for Homeless

Developer: DAL Development LLC

Investor/Consultant: City Real Estate Advisors

Management Agent: Royal Property Management Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 11  
 Total # of Units: 92  
 No. / % of Low Income Units: 90 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (90 units - 100%)

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: October 18, 2018

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Marlene McDonough

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 50% AMI: 9	10%
At or Below 60% AMI: 81	90%

**Unit Mix**

92 1-Bedroom Units  
 92 Total Units

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
81 1 Bedroom	60%	60%	\$1,095
9 1 Bedroom	50%	50%	\$913
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$31,909,680

**Project Cost Summary at Application**

Land and Acquisition	\$9,075,000
Construction Costs	\$0
Rehabilitation Costs	\$4,126,200
Construction Contingency	\$448,000
Relocation	\$150,000
Architectural/Engineering	\$156,000
Const. Interest, Perm. Financing	\$464,350
Legal Fees, Appraisals	\$259,150
Reserves	\$746,000
Other Costs	\$893,079
Developer Fee	\$1,882,221
Commercial Costs	\$0
<b>Total</b>	<b>\$18,200,000</b>

**Residential**

Construction Cost Per Square Foot:	\$68
Per Unit Cost:	\$197,826
True Cash Per Unit Cost*:	\$197,642

**Construction Financing**

Source	Amount
Citibank, N.A.	\$13,000,000
Replacement Reserves	\$302,500
Deferred Developer Fee	\$1,397,500
Tax Credit Equity	\$3,500,000

**Permanent Financing**

Source	Amount
Citibank, N.A.	\$13,000,000
Replacement Reserves	\$302,500
Deferred Developer Fee	\$16,921
Tax Credit Equity	\$4,880,579
<b>TOTAL</b>	<b>\$18,200,000</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$6,525,360
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,705,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,482,968
Qualified Basis (Acquisition):	\$7,705,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$277,393
Maximum Annual Federal Credit, Acquisition:	\$251,954
Total Maximum Annual Federal Credit:	\$529,347
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,882,221
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.92200

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:	\$14,230,360
Actual Eligible Basis:	\$14,230,360
Unadjusted Threshold Basis Limit:	\$23,612,536
Total Adjusted Threshold Basis Limit:	\$25,973,790

**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**

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) to 5.4% of the units (5 units) that are fully mobility accessible in accordance with California Building Code Chapter 11(B) and which may be located within a band to each side of the community building. However, the project must continue to provide at least 4% of the units with communications features that meet the requirements of Chapter 11(B).

**Resyndication and Resyndication Transfer Event: None**

**Local Reviewing Agency**

The Local Reviewing Agency, The City of Escondido, has completed a site review of this project and supports this project.

**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 project commits to becoming certified under Leadership in Energy & Environmental Design (LEED); Green Communities / Passive House Institute US (PHIUS) / Passive House / Living Building Challenge / GreenPoint Rated Multifamily Guidelines / WELL
- The project will provide energy efficiency with renewable energy that offsets 40% of project tenants' energy load