CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2018

Montevista Senior Apartments, located at 13728 San Pablo Avenue in San Pablo, requested and is being recommended for a reservation of $758,518 in annual federal tax credits to finance the acquisition and rehabilitation of 80 units of housing serving seniors with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners and is located in Senate District 9 and Assembly District 15.

Montevista Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Montevista Senior Apartments (CA-2000-208). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-18-659

Project Name Montevista Senior Apartments
Site Address: 13728 San Pablo Avenue
San Pablo, CA 94806 County: Contra Costa
Census Tract: 3690.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$758,518	$0
Recommended:	$758,518	$0

Applicant Information

Applicant:	Montevista San Pablo AR, L.P.
Contact:	Thomas Erickson
Address:	330 West Victoria Street Gardena, CA 90248
Phone:	424-258-2918
Email:	thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s):	TELACU Homes, Inc. HCHP Affordable Multi-Housing, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Highridge Costa Housing Partners
Developer:	Highridge Costa Housing Partners
Investor/Consultant:	Victoria Capital, LLC
Management Agent:	WinnResidential California L.P.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	82
No. / % of Low Income Units:	80 98.77%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	Golden State Finance Authority
Expected Date of Issuance:	December 1, 2018

Information

Housing Type:	Seniors
Geographic Area:	East Bay Region
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 30% AMI:	7	9%
At or Below 50% AMI:	40	50%
At or Below 60% AMI:	20	25%
At or Below 80% AMI:	13	16%

Unit Mix

64	1-Bedroom Units
18	2-Bedroom Units
82	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	1 Bedroom	30%	30%	$654
7	1 Bedroom	40%	40%	$872
33	1 Bedroom	50%	50%	$1,090
7	1 Bedroom	60%	60%	$1,308
10	1 Bedroom	80%	65%	$1,410
13	2 Bedrooms	60%	60%	$1,569
3	2 Bedrooms	80%	70%	$1,840
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,569
1	2 Bedrooms	Market Rate Unit	Market Rate Unit	$2,100

TCAC-confirmed Projected Lifetime Rent Benefit: $29,090,820

Project Cost Summary at Application	
Land and Acquisition	$17,600,000
Construction Costs	$0
Rehabilitation Costs	$2,428,200
Construction Contingency	$122,890
Relocation	$0
Architectural/Engineering	$60,000
Const. Interest, Perm. Financing	$1,741,484
Legal Fees, Appraisals	$137,500
Reserves	$239,866
Other Costs	$102,269
Developer Fee	$2,932,712
Commercial Costs	$0
Total	**$25,364,921**

Residential	
Construction Cost Per Square Foot:	$47
Per Unit Cost:	$309,328
True Cash Per Unit Cost*:	$292,056

Construction Financing

Source	Amount
America First Multifamily Investors	$13,200,000
Seller Note	$7,796,423
General Partner Contribution	$524,663
Deferred Costs	$2,282,764
Income During Construction	$1,133,029
Tax Credit Equity	$428,042

Permanent Financing

Source	Amount
America First Multifamily Investors	$7,516,087
Seller Note	$7,796,423
Income During Rehabilitation	$1,133,029
General Partner Contribution	$524,663
Deferred Developer Fee	$1,416,356
Tax Credit Equity	$6,978,363
TOTAL	**$25,364,921**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$3,348,125
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$19,136,000
Applicable Fraction:	98.77%
Qualified Basis (Rehabilitation):	$4,298,827
Qualified Basis (Acquisition):	$18,899,753
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$140,496
Maximum Annual Federal Credit, Acquisition:	$618,022
Total Maximum Annual Federal Credit:	$758,518
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,932,712
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	$0.92000

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:	$22,484,125
Actual Eligible Basis:	$22,484,125
Unadjusted Threshold Basis Limit:	$30,923,584
Total Adjusted Threshold Basis Limit:	$51,023,914

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: 49%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 16%

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 is a resyndication of CA-2000-208 with 66 low income units, 1 manager's unit, and 15 market rate units. The low income units include 53 - 1 bedrooms, and 14 - 2 bedrooms. The 15 market rate units include 11 - 1 bedrooms, and 4 - 2 bedrooms. At resyndication, the 66 low income units will continue to be held to the original income targeting restrictions and 14 of the market rate units will become restricted affordable units (1 unit at 60% AMI and 13 units at 80% AMI). The project's average targeting cannot exceed 59% AMI. Any units not identified as low income units in the original regulatory agreement will not be grandfathered, and must be income qualified when the project places in service.

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-2000-208). 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-00-208) 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 $524,663. There is a general partner equity contribution of at least $524,663, allowing the applicant 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.