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

La Mesa Springs, located at 8070 Orange Avenue in La Mesa, requested and is being recommended for a reservation of $1,159,604 in annual federal tax credits to finance the acquisition and rehabilitation of 128 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Rose Community Development Company, LLC and is located in Senate District 38 and Assembly District 79.

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

Project Number	CA-18-796	
Project Name	La Mesa Springs	
Site Address:	8070 Orange Avenue	
	La Mesa, CA 91941	County: San Diego
Census Tract:	146.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,159,604	$0
Recommended:	$1,159,604	$0

Applicant Information

Applicant:	Jonathan Rose Companies
Contact:	Michael Arman
Address:	551 Fifth Avenue, 23rd Floor
	New York, NY 10176
Phone:	(917) 542-3600
Email:	marman@rosecompanies.com

General Partner(s) or Principal Owner(s):	RCH La Mesa Springs GP, LLC
	Wakeland La Mesa, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Rose Companies Holdings, LLC
	JRC FC Holdings, LLC
	Wakeland Housing & Development Corporation
Developer:	Jonathan Rose Companies
Investor/Consultant:	US Bancorp Community Development Corporation
Management Agent:	Rose Community Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	129
No. / % of Low Income Units:	128 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (128 Units / 100%)

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	February 1, 2019

Information

Housing Type:	Seniors
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:	14	11%
At or Below 60% AMI:	114	89%

Unit Mix

128	1-Bedroom Units
1	2-Bedroom Units
129	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14	1 Bedroom	50%	47%	$852
114	1 Bedroom	60%	56%	$1,022
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,615

TCAC-confirmed Projected Lifetime Rent Benefit: $37,932,840

Project Cost Summary at Application

Land and Acquisition	$28,300,000
Construction Costs	$0
Rehabilitation Costs	$4,674,905
Construction Contingency	$467,490
Relocation	$516,000
Architectural/Engineering	$219,050
Const. Interest, Perm. Financing	$1,391,098
Legal Fees, Appraisals	$265,000
Reserves	$817,683
Other Costs	$712,247
Developer Fee	$4,693,908
Commercial Costs	$0
Total	**$42,057,381**

Residential

Construction Cost Per Square Foot:	$51
Per Unit Cost:	$326,026
True Cash Per Unit Cost*:	$285,205

Construction Financing

Source	Amount
Hunt Mortgage HUD 223(f)**	$25,500,000
US Bancorp Bridge Loan	$2,539,325
Seller Carryback Note	$3,000,000
Income from Operations	$222,468
Deferred Costs	$4,765,725
Tax Credit Equity	$6,029,863

Permanent Financing

Source	Amount
Hunt Mortgage HUD 223(f)**	$25,500,000
Seller Carryback Note	$3,000,000
Income from Operations	$222,468
Deferred Developer Fee	$2,265,913
Tax Credit Equity	$11,069,000
TOTAL	**$42,057,381**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**$25,000,000 Tax Exempt Bond, $500,000 Conventional Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$8,260,129
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$27,726,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,260,129
Qualified Basis (Acquisition):	$27,726,500
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$252,947
Maximum Annual Federal Credit, Acquisition:	$906,657
Total Maximum Annual Federal Credit:	$1,159,604
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,693,908
Investor/Consultant:	US Bancorp Community Development Corp.
Federal Tax Credit Factor:	$0.95455

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:	$35,986,629
Actual Eligible Basis:	$35,986,629
Unadjusted Threshold Basis Limit:	$33,161,824
Total Adjusted Threshold Basis Limit:	$39,794,188

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced

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

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. Specifically, the management company, Rose Community Management LLC, shall complete training as prescribed by TCAC prior to the project's placing in service.

Resyndication and Resyndication Transfer Event. None.

Local Reviewing Agency

The Local Reviewing Agency, City of La Mesa, has completed a site review of this project and strongly 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. None.