CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 16, 2019
REVISED

Seaview Village Apartments, located at the addresses below in Seaside, requested and is being recommended for a reservation of $1,897,359 in annual federal tax credits to finance the acquisition and rehabilitation of 132 units of housing serving tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Islas Development, LLC and is located in Senate District 17 and Assembly District 29.

Seaview Village Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Hannon Seaview Apartments (CA-2004-855). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-19-409

Project Name Seaview Village Apartments
Multiple addresses Sites A-K (see below)

Site Address:

Site A 1664 Darwin Street Seaside, CA 93955	Site B 1775 Flores Street Seaside, CA 93955
Site C 1710 Vallejo Street Seaside, CA 93955	Site D 1637 Flores Street Seaside, CA 93955
Site E 1630 Judson Street Seaside, CA 93955	Site F 1622 Noche Buena Street Seaside, CA 93955
Site G 1730 Kenneth Street Seaside, CA 93955	Site H 1772 Luzern Street Seaside, CA 93955
Site J 1518 La Salle Avenue Seaside, CA 93955	Site K 1846 Highland Street Seaside, CA 93955

County: Monterey
Census Tract: 138.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,897,359	$0
Recommended:	$1,897,359	$0

Applicant Information

Applicant:	Seaview Affordable Communities, L.P.
Contact:	Peter Lopez-Hodoyan
Address:	1927 Adams Ave, Suite 200 San Diego, CA 92116
Phone:	480-899-3545
Email:	peter@logancapitaladvisors.com

General Partner(s) or Principal Owner(s):	Seaview Communities, LLC Pacific Housing Inc.
General Partner Type:	Joint Venture
Parent Company(ies):	Islas Development, LLC Pacific Housing Inc.
Developer:	Islas Development, LLC
Investor/Consultant:	Citibank, N.A.
Management Agent:	Logan Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	43
Total # of Units:	133
No. / % of Low Income Units:	132 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (85 Units - 64%)

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	January 31, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Carmen Doonan

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:	118	89%

Unit Mix

16	1-Bedroom Units
36	2-Bedroom Units
39	3-Bedroom Units
28	4-Bedroom Units
14	5-Bedroom Units
133	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	50%	$783
8	1 Bedroom	60%	60%	$939
6	1 Bedroom	60%	60%	$939
4	2 Bedrooms	50%	50%	$940
11	2 Bedrooms	60%	60%	$1,128
20	2 Bedrooms	60%	60%	$1,128
4	3 Bedrooms	50%	50%	$1,085
14	3 Bedrooms	60%	60%	$1,302
21	3 Bedrooms	60%	60%	$1,302
3	4 Bedrooms	50%	50%	$1,211
8	4 Bedrooms	60%	60%	$1,453
17	4 Bedrooms	60%	60%	$1,453
1	5 Bedrooms	50%	50%	$1,336
7	5 Bedrooms	60%	60%	$1,604
6	5 Bedrooms	60%	60%	$1,604
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$2,025

TCAC-confirmed Projected Lifetime Rent Benefit: $105,943,860

Project Cost Summary at Application

Land and Acquisition	$40,361,931
Construction Costs	$0
Rehabilitation Costs	$6,695,473
Construction Contingency	$640,230
Relocation	$133,000
Architectural/Engineering	$85,000
Const. Interest, Perm. Financing	$1,027,887
Legal Fees, Appraisals	$270,000
Reserves	$793,057
Other Costs	$742,262
Developer Fee	$7,187,750
Commercial Costs	$0
Total	**$57,936,590**

Residential

Construction Cost Per Square Foot:	$48
Per Unit Cost:	$435,613
True Cash Per Unit Cost*:	$376,685

Construction Financing

Source	Amount
Citibank - Tranche A	$31,400,000
Citibank - Tranche B	$13,500,000
Seller Loan	$4,000,000
Existing Reserves	$105,000
Deferred Developer Fee	$7,187,750
Tax Credit Equity	$1,743,840

Permanent Financing

Source	Amount
Citibank	$31,400,000
Seller Loan	$3,379,793
Existing Reserves	$105,000
Deferred Developer Fee	$4,457,679
Tax Credit Equity	$18,594,118
TOTAL	**$57,936,590**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,723,713
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$45,382,371
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,640,827
Qualified Basis (Acquisition):	$45,382,371
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$413,355
Maximum Annual Federal Credit, Acquisition:	$1,484,004
Total Maximum Annual Federal Credit:	$1,897,359
Approved Developer Fee (in Project Cost & Eligible Basis):	$7,187,750
Investor/Consultant:	Citibank, N.A.
Federal Tax Credit Factor:	$0.98000

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:	$55,106,084
Actual Eligible Basis:	$55,106,084
Unadjusted Threshold Basis Limit:	$63,121,362
Total Adjusted Threshold Basis Limit:	$69,433,498

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

This project involves the rehabilitation of 10 scattered sites constructed in the City of Seaside.

This scattered site project has received a waiver allowing the second manger unit to be converted to a low income unit.

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-2004-855). 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-2004-855) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The applicant requested and was previously granted a partial waiver from the requirement to provide disability mobility features in accordance with Chapter 11(B) of the California Building Code in 10% of the units where only four of the 5-bedroom units shall meet the mobility accessibility requirements representing 3% of the 132 total low-income units, but 28% of the 5-bedroom units. Following approval by the Committee and review from the City of Seaside for purposes of obtaining a building permit, the applicant requested and was granted a waiver to Section 10325(f)(7)(K) whereas accessibility upgrades shall be made to 14 units, including four (4) two-bedroom units, five (5) three-bedroom units, three (3) four-bedroom units, and two (2) five-bedroom units to allow for accessible entry and use of the ground floor accommodations in the upgraded units. Please note TCAC will require that 4% of all low-income units be equipped with communications accessibility features which is consistent with Section 10325 (f)(7)(K).

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a capitalized replacement reserve in the amount of $39,900 which will continue to stay with the project. This Subsequent Transfer Event requires either a seller credit or a general partner equity contribution in the amount of $838,875. The seller of the existing property reduced the purchase price to $40,161,125 which is $838,875 less than the appraised value of $41,000,000. As a result of the price reduction, 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.