

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 16, 2019**

Park Villas Apartments, located at 817 Eta Street in National City, requested and is being recommended for a reservation of \$3,182,628 in annual federal tax credits to finance the acquisition and rehabilitation of 265 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Fairfield Residential and is located in Senate District 80 and Assembly District 40.

Park Villas Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Park Villas Apartments (CA-1997-930). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number	CA-19-523		
Project Name	Park Villas Apartments		
Site Address:	817 Eta Street		
	National City, CA 91950	County:	San Diego
Census Tract:	118.02		

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,182,628	\$0
Recommended:	\$3,182,628	\$0

Applicant Information

Applicant:	Fairfield Residential Holdings, LLC
Contact:	Paul Kudirka
Address:	5510 Morehouse Dr. #200 San Diego, CA 92121
Phone:	(858)824-6406
Email:	pkudirka@ffres.com
General Partner(s) or Principal Owner(s):	FFI Park Villas LLC Riverside Charitable Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	Fairfield Residential Riverside Charitable Corporation
Developer:	Fairfield Residential
Investor/Consultant:	WNC & Associates
Management Agent:	FF Properties L.P.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 34
 Total # of Units: 268
 No. / % of Low Income Units: 265 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 Utility Allowance: CUAC

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: December 15, 2019

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 27	10%
60% AMI: 238	90%

Unit Mix

172 2-Bedroom Units
96 3-Bedroom Units
<u>268 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 2 Bedrooms	50%	50%	\$1,203
152 2 Bedrooms	60%	60%	\$1,444
10 3 Bedrooms	50%	50%	\$1,391
86 3 Bedrooms	60%	60%	\$1,669
3 2 Bedrooms	Manager's Unit	Manager's Unit	\$4,317

Project Cost Summary at Application

Land and Acquisition	\$72,850,000
Construction Costs	\$0
Rehabilitation Costs	\$10,917,283
Construction Hard Cost Contingency	\$495,000
Soft Cost Contingency	\$50,000
Relocation	\$500,000
Architectural/Engineering	\$5,000
Const. Interest, Perm. Financing	\$2,509,361
Legal Fees	\$408,000
Reserves	\$1,068,765
Other Costs	\$520,179
Developer Fee	\$11,982,448
Commercial Costs	\$0
Total	\$101,306,036

Residential

Construction Cost Per Square Foot:	\$41
Per Unit Cost:	\$378,008
True Cash Per Unit Cost*:	\$333,297

Construction Financing

Source	Amount
CBRE Freddie Mac	\$57,030,000
Income from Operations	\$309,673
Deferred Developer Fee	\$11,982,448
General Partner Equity	\$2,385,475

Permanent Financing

Source	Amount
CBRE Freddie Mac	\$57,030,000
Income from Operations	\$309,673
Deferred Developer Fee	\$11,982,448
General Partner Equity	\$2,385,475
Tax Credit Equity	\$29,598,440
TOTAL	\$101,306,036

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$14,368,929
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$77,763,675
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$18,679,608
Qualified Basis (Acquisition):	\$77,763,675
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$616,427
Maximum Annual Federal Credit, Acquisition:	\$2,566,201
Total Maximum Annual Federal Credit:	\$3,182,628
Approved Developer Fee (in Project Cost & Eligible Basis):	\$11,982,448
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.93000

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:	\$92,132,604
Actual Eligible Basis:	\$92,132,604
Unadjusted Threshold Basis Limit:	\$97,428,352
Total Adjusted Threshold Basis Limit:	\$107,171,187

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 meet or 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 3.30% 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

For existing tax credit projects (resyndications) using CUAC, the applicant must demonstrate as part of the placed in service package, decrease in tenant’s utility allowance resulting from conversion to the CUAC shall not exceed \$15 per month over any 12-month period and the tenants' rent increase will be no greater than \$15.

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-1997-930). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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-1997-930) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication concurrent 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 \$2,071,531. There is a general partner equity contribution of at least \$2,071,531, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.