

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

Windsor Gardens, located at 1600 West 9th Avenue in Escondido, requested and is being recommended for a reservation of \$889,851 in annual federal tax credits to finance the acquisition and rehabilitation of 130 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Community HousingWorks and is located in Senate District 38 and Assembly District 75.

Project Number CA-19-559

Project Name Windsor Gardens
 Site Address: 1600 West 9th Avenue
 Escondido, CA 92029 County: San Diego
 Census Tract: 203.07

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$889,851	\$0
Recommended:	\$889,851	\$0

Applicant Information

Applicant: Windsor Gardens Housing Associates, L.P.
 Contact: Mary Jane Jagodzinski
 Address: 3111 Camino del Rio North, Suite 800
 San Diego, CA 92108
 Phone: (619) 450-8710
 Email: mj Jag@mchworks.org

General Partner(s) or Principal Owner(s): CHW Windsor Gardens, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Community HousingWorks
 Developer: Community HousingWorks
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: ConAm Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 33
 Total # of Units: 132
 No. / % of Low Income Units: 130 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 10, 2019

Information

Housing Type: Seniors
 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>
30% AMI: 33	25%
50% AMI: 47	36%
60% AMI: 50	38%

Unit Mix

128 1-Bedroom Units
4 2-Bedroom Units
<u>132 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>
33 1 Bedroom	30%	26%	\$518
32 1 Bedroom	50%	43%	\$863
15 1 Bedroom	50%	50%	\$1,003
47 1 Bedroom	60%	52%	\$1,036
3 2 Bedrooms	60%	48%	\$1,165
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Construction Costs	\$0
Rehabilitation Costs	\$5,013,995
Construction Hard Cost Contingency	\$501,400
Soft Cost Contingency	\$210,442
Relocation	\$430,000
Architectural/Engineering	\$325,000
Const. Interest, Perm. Financing	\$1,397,456
Legal Fees	\$30,000
Reserves	\$327,342
Other Costs	\$273,724
Developer Fee	\$3,201,229
Total	\$26,639,963

Residential

Construction Cost Per Square Foot:	\$77
Per Unit Cost:	\$201,818
True Cash Per Unit Cost*:	\$114,852

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
MUFG Union Bank, N.A.	\$10,579,268	MUFG Union Bank, N.A.	\$4,881,000
Seller Carryback- City Loan	\$10,978,323	Seller Carryback- City Loan	\$9,678,323
Accrued/Deferred Interest	\$382,622	Accrued/Deferred Interest	\$382,622
City of Escondido Loan	\$900,000	City of Escondido Loan	\$900,000
Accrued/Deferred Interest	\$23,067	Accrued/Deferred Interest	\$23,067
Deferred Developer Fee	\$1,801,229	Income from Operations	\$530,558
Deferred Costs	\$1,059,678	Deferred Developer Fee	\$1,801,229
General Partner Equity	\$199,200	General Partner equity	\$199,200
Tax Credit Equity	\$836,376	Tax Credit Equity	\$8,243,964
		TOTAL	\$26,639,963

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,074,758
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$16,468,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,497,185
Qualified Basis (Acquisition):	\$16,468,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$346,407
Maximum Annual Federal Credit, Acquisition:	\$543,444
Total Maximum Annual Federal Credit:	\$889,851
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,201,229
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.92644

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:	\$24,542,758
Actual Eligible Basis:	\$24,542,758
Unadjusted Threshold Basis Limit:	\$36,381,056
Total Adjusted Threshold Basis Limit:	\$67,668,764

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: 36%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 50%

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: None

Resyndication and Resyndication Transfer Event: None

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.