CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2019

Mission Terrace Apartments, located at 10210 San Diego Mission Road in San Diego, requested and is being recommended for a reservation of $686,840 in annual federal tax credits to finance the acquisition and rehabilitation of 76 units of housing serving large families with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by San Diego Interfaith Housing Foundation and is located in Senate District 39 and Assembly District 79.

Mission Terrace Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Mission Terrace Apartments (CA-1993-119). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-575

Project Name Mission Terrace Apartments

Site Address:	10210 San Diego Mission Road		
	San Diego, CA 92108	County:	San Diego
Census Tract:	96.03		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$686,840	$0
Recommended:	$686,840	$0

Applicant Information

Applicant:	Mission Terrace Housing Partners, L.P.
Contact:	Matthew B. Jumper
Address:	7956 Lester Avenue Lemon Grove, CA 91945
Phone:	619-668-1532
Email:	mjumper@sdihf.org

General Partner(s) or Principal Owner(s):	Mission Terrace Interfaith Housing Corporation
General Partner Type:	Nonprofit
Parent Company(ies):	San Diego Interfaith Housing Foundation
Developer:	San Diego Interfaith Housing Foundation
Investor/Consultant:	Redstone Equity Partners
Management Agent:	Interfaith Housing Assistance Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	7
Total # of Units:	77
No. / % of Low Income Units:	76 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	Housing Authority of City of San Diego
Expected Date of Issuance:	October 1, 2019

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
35% AMI:	15	20%
50% AMI:	23	30%
60% AMI:	38	50%

Unit Mix

37	1-Bedroom Units
16	2-Bedroom Units
24	3-Bedroom Units
77	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	1 Bedroom	35%	35%	$694
3	2 Bedrooms	35%	35%	$834
5	3 Bedrooms	35%	33%	$930
15	1 Bedroom	50%	48%	$954
3	2 Bedrooms	50%	46%	$1,099
5	3 Bedrooms	50%	47%	$1,320
15	1 Bedroom	60%	54%	$1,074
10	2 Bedrooms	60%	54%	$1,294
13	3 Bedrooms	60%	57%	$1,590
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$12,636,500
Construction Costs	$0
Rehabilitation Costs	$3,893,875
Construction Hard Cost Contingency	$405,630
Soft Cost Contingency	$43,432
Relocation	$300,000
Architectural/Engineering	$120,000
Const. Interest, Perm. Financing	$600,936
Legal Fees	$77,000
Reserves	$293,117
Other Costs	$264,053
Developer Fee	$2,429,815
Commercial Costs	$0
Total	**$21,064,358**

Residential	
Construction Cost Per Square Foot:	$50
Per Unit Cost:	$273,563
True Cash Per Unit Cost*:	$170,976

Construction Financing

Source	Amount
California Bank & Trust	$12,000,000
Seller Carryback Loan	$7,899,179
Reserve Carryover	$100,000
Deferred Costs	$106,152
GP Capital Contribution	$100
LP Capital Contribution	$10
Tax Credit Equity	$933,416

Permanent Financing

Source	Amount
California Bank & Trust	$6,635,921
Seller Carryback Loan	$7,899,179
Operating Income	$180,874
Reserve Carryover	$100,000
Deferred Developer Fee	$25,501
GP Capital Contribution	$100
LP Capital Contribution	$10
Tax Credit Equity	$6,222,773
TOTAL	**$21,064,358**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,404,579
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$12,650,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$9,625,953
Qualified Basis (Acquisition):	$12,650,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$269,390
Maximum Annual Federal Credit, Acquisition:	$417,450
Total Maximum Annual Federal Credit:	$686,840
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,429,815
Investor/Consultant:	Redstone Equity Partners
Federal Tax Credit Factor:	$0.90600

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:	$20,054,579
Actual Eligible Basis:	$20,054,579
Unadjusted Threshold Basis Limit:	$25,570,662
Total Adjusted Threshold Basis Limit:	$42,958,712

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: 30%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 38%

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-93-119). 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-93-119) 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 without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

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.