CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 15, 2020

Villa Lakeshore Apartments, located at 12606 Lakeshore Drive in Lakeside, requested and is being recommended for a reservation of $364,729 in annual federal tax credits to finance the acquisition and rehabilitation of 33 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by MAAC and is located in Senate District 38 and Assembly District 71.

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

Project Number CA-20-447

Project Name Villa Lakeshore Apartments
Site Address: 12606 Lakeshore Drive
Lakeside, CA 92040 County: San Diego
Census Tract: 168.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$364,729	$0
Recommended:	$364,729	$0

Applicant Information

Applicant:	Villas Lakeshore 2020, LP
Contact:	Christopher Ramirez
Address:	1355 Third Avenue Chula Vista, CA 91911
Phone:	619-426-3595
Email:	cramirez@maacproject.org

General Partner(s) or Principal Owner(s):	Villa Lakeshore MGP 2020, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	MAAC
Developer:	MAAC
Investor/Consultant:	Hunt Capital Partners, LLC
Management Agent:	MAAC

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	34
No. / % of Low Income Units:	33 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / Project-based Contract (25 Units - 75%)

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	March 30, 2020

Information

Housing Type:	Non-Targeted
Geographic Area:	San Diego County
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	28	85%
50% AMI:	2	6%
60% AMI:	3	9%

Unit Mix

30	2-Bedroom Units
4	3-Bedroom Units
34	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	2 Bedrooms	60%	47%	$1,140
1	2 Bedrooms	60%	38%	$905
1	2 Bedrooms	50%	38%	$905
1	2 Bedrooms	50%	35%	$850
25	2 Bedrooms	30%	30%	$722
3	3 Bedrooms	30%	30%	$834
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$5,650,000
Construction Costs	$0
Rehabilitation Costs	$3,425,241
Construction Hard Cost Contingency	$342,524
Soft Cost Contingency	$69,461
Relocation	$235,000
Architectural/Engineering	$145,000
Const. Interest, Perm. Financing	$570,080
Legal Fees	$107,500
Reserves	$110,095
Other Costs	$700,088
Developer Fee	$999,008
Commercial Costs	$0
Total	**$12,353,997**

Residential

Construction Cost Per Square Foot:	$117
Per Unit Cost:	$363,353
True Cash Per Unit Cost*:	$259,559

Construction Financing

Source	Amount
Banner Bank	$7,110,591
Seller Note	$3,529,000
Accrued Interest	$211,740
Income During Operations	$368,484
Deferred Costs	$505,766
Developer Fee Forgone	$95,000
Tax Credit Equity	$533,415

Permanent Financing

Source	Amount
Permanent Loan- Banner Bank	$4,593,671
Seller Note	$3,529,000
Accrued Interest	$211,740
Income During Operations	$368,484
Developer Contribution	$95,000
Tax Credit Equity	$3,556,102
TOTAL	**$12,353,997**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,259,300
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$5,000,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,259,300
Qualified Basis (Acquisition):	$5,000,000
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$202,729
Maximum Annual Federal Credit, Acquisition:	$162,000
Total Maximum Annual Federal Credit:	$364,729
Approved Developer Fee (in Project Cost & Eligible Basis):	$999,008
Investor/Consultant:	Hunt Capital Partners, LLC
Federal Tax Credit Factor:	$0.97500

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:	$11,259,300
Actual Eligible Basis:	$11,259,300
Unadjusted Threshold Basis Limit:	$11,603,648
Total Adjusted Threshold Basis Limit:	$31,793,996

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: 6%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 168%

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 3.24% 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
The reservation of tax credits is contingent upon verification by HUD of the contract renewal amounts within 180 days of the date of reservation.

Staff noted that 3 units currently have tenants who are over-income. At placed-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.