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

Otay Ranch Apartments, located at northwest corner of La Media Parkway South and Main Street East in Chula Vista, requested and is being recommended for a reservation of $2,351,924 in annual federal tax credits and $4,375,000 in total state tax credits to finance the to finance the new construction of 173 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 Meta Housing Corporation and will be located in Senate District 40 and Assembly District 79.

Project Number	CA-20-434
Project Name	Otay Ranch Apartments
Site Address:	Northwest corner of La Media Parkway South and Main Street East
	Chula Vista, 91913 County: San Diego
Census Tract:	133.13

Tax Credit Amounts	**Federal/Annual**	**State/Total** *
Requested:	$2,351,924	$4,375,000
Recommended:	$2,351,924	$4,375,000

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant:	Otay Affordable I V8, LP
Contact:	Kasey Burke
Address:	11150 W. Olympic Blvd, Suite 620
	Los Angeles, CA 90064
Phone:	310-575-3543
Email:	kburke@metahousing.com

General Partner(s) or Principal Owner(s):	FFAH V Otay Ranch I, LLC
	Otay Affordable I V8, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	FFAH V, Inc.
	Meta Housing Corporation
Developer:	Meta Housing Corporation
Investor/Consultant:	RedStone Equity Partners
Management Agent:	WSH Management

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	3
Total # of Units:	175
No. / % of Low Income Units:	173 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	City of Chula Vista Housing Authority
Expected Date of Issuance:	July 1, 2020
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	53	31%
60% AMI:	120	69%

Unit Mix

55 1-Bedroom Units
74 2-Bedroom Units
46 3-Bedroom Units
175 Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
53	1 Bedroom	50%	50%	$1,003
2	1 Bedroom	60%	60%	$1,203
72	2 Bedrooms	60%	60%	$1,444
46	3 Bedrooms	60%	60%	$1,669
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$2,874,264
Construction Costs	$32,105,887
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$3,210,589
Soft Cost Contingency	$798,322
Relocation	$0
Architectural/Engineering	$2,452,959
Const. Interest, Perm. Financing	$3,854,727
Legal Fees	$215,570
Reserves	$600,910
Other Costs	$8,400,739
Developer Fee	$6,329,911
Commercial Costs	$2,712,221
Total	**$63,556,098**

Residential

Construction Cost Per Square Foot:	$161
Per Unit Cost:	$347,679
True Cash Per Unit Cost*:	$302,943

Construction Financing

Source	Amount
Pacific Western Bank**	$35,000,000
Pacific Western Bank***	$17,000,000
HomeFed Corp. - Seller Carryback	$3,000,000
Deferred Operating Reserve	$600,910
Deferred Developer Fee	$6,604,226
Tax Credit Equity	$1,350,962

Permanent Financing

Source	Amount
Pacific Western Bank**	$16,959,000
Pacific Western Bank***	$11,400,000
HomeFed Corp. - Seller Carryback	$3,000,000
Deferred Developer Fee	$5,177,858
Tax Credit Equity	$27,019,240
TOTAL	**$63,556,098**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**Tax Exempt Construction Loan
***Taxable Construction Loan

Determination of Credit Amount(s)

Requested Eligible Basis:	$55,838,643
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$72,590,237
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$2,351,924
Total State Credit:	$4,375,000
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,329,911
Investor/Consultant:	RedStone Equity Partners
Federal Tax Credit Factor:	$1.00000
State Tax Credit Factor:	$0.80000

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:	$55,838,643
Actual Eligible Basis:	$55,838,643
Unadjusted Threshold Basis Limit:	$58,968,162
Total Adjusted Threshold Basis Limit:	$88,824,827

Adjustments to Basis Limit

Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced
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%

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 applicant's estimate for annual operating expenses per unit is below the $5,000 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of $4,614 in agreement with the permanent lender and equity investor.

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.