

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

Heber Del Sol Family Apartments, located at the corner of Desert Sunrise Avenue and Pitzer Road in Heber, requested and is being recommended for a reservation of \$675,214 in annual federal tax credits and \$4,809,028 in total state tax credits to finance the new construction of 48 units of housing serving large families with rents affordable to households earning 30-60% AMI of area median income (AMI). The project will be developed by CRP MHP Sponsor LLC and will be located in Senate District 40 and Assembly District 56.

**Project Number** CA-20-454

**Project Name** Heber Del Sol Family Apartments  
**Site Address:** Corner of Desert Sunrise Avenue and Pitzer Road  
 Heber, CA 92249 County: Imperial  
**Census Tract:** 113.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$675,214	\$4,809,028
Recommended:	\$675,214	\$4,809,028

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

**Applicant:** CRP Heber Del Sol Family Apartments LP  
**Contact:** Kursat Misirlioglu  
**Address:** 600 B Street, Suite 300  
 San Diego, CA 92101  
**Phone:** 619-599-3852  
**Email:** k.misirlioglu@outlook.com

**General Partner(s) or Principal Owner(s):** CRP Heber Del Sol Family Apartments AGP LLC  
 MAAC on Anti-Poverty of San Diego County, Inc.  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** CRP Affordable Housing and Community Dev.  
 MAAC on Anti-Poverty of San Diego County, Inc.  
**Developer:** CRP MHP Sponsor LLC  
**Investor/Consultant:** CREA, LLC  
**Management Agent:** Barker Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 48  
 No. / % of Low Income Units: 48 100.00%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: Tax-Exempt

**Bond Information**

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

**Information**

Housing Type: Large Family  
 Geographic Area: Inland Empire Region  
 TCAC Project Analyst: Sara Dixon

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 16	33%
50% AMI: 13	27%
60% AMI: 5	10%

**Unit Mix**

25 1-Bedroom Units
11 2-Bedroom Units
12 3-Bedroom Units
<u>48 Total Units</u>

<u>Unit Type &amp; 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>
5 1 Bedroom	50%	50%	\$608
4 1 Bedroom	30%	30%	\$364
13 1 Bedroom	80%	72%	\$876
3 2 Bedrooms	50%	50%	\$730
8 2 Bedrooms	30%	30%	\$438
5 3 Bedrooms	60%	60%	\$1,011
2 3 Bedrooms	50%	50%	\$842
4 3 Bedrooms	30%	30%	\$505
3 1 Bedroom	50%	50%	\$608
* 1 3 Bedrooms	Manager's Unit	Manager's Unit	\$958

\* One of the manager's units is also a low income unit restricted at or below 60% AMI.

**Project Cost Summary at Application**

Land and Acquisition	\$1,105,000
Construction Costs	\$9,858,800
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,035,880
Soft Cost Contingency	\$242,667
Relocation	\$0
Architectural/Engineering	\$490,500
Const. Interest, Perm. Financing	\$868,785
Legal Fees	\$232,500
Reserves	\$259,056
Other Costs	\$1,161,471
Developer Fee	\$2,090,965
Commercial Costs	\$0
<b>Total</b>	<b>\$17,345,625</b>

**Residential**

Construction Cost Per Square Foot:	\$191
Per Unit Cost:	\$361,367
True Cash Per Unit Cost*:	\$354,418

**Construction Financing**

Source	Amount
Citibank	\$10,037,743
County of Imperial - HEAP <sup>1</sup>	\$2,607,000
AHP	\$470,000
Deferred Costs	\$1,641,361
Federal Tax Credit Equity	\$1,579,686
State Tax Credit Equity	\$1,009,835

**Permanent Financing**

Source	Amount
Citibank Permanent Loan	\$2,853,830
County of Imperial - HEAP <sup>1</sup>	\$2,607,000
AHP	\$470,000
Income From Operations	\$135,121
Accrued Interest	\$156,420
Forgone Developer Fee	\$195,265
Deferred Developer Fee	\$138,319
Tax Credit Equity	\$10,789,671
<b>TOTAL</b>	<b>\$17,345,625</b>

<sup>1</sup>Homeless Emergency Aid Program

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$16,030,733
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$20,839,953
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$675,214
Total State Credit:	\$4,809,028
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,090,965
Federal Tax Credit Factor:	\$0.97481
State Tax Credit Factor:	\$0.87495

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:	\$16,030,733
Actual Eligible Basis:	\$16,030,733
Unadjusted Threshold Basis Limit:	\$15,556,894
Total Adjusted Threshold Basis Limit:	\$30,335,943

**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: 27%  
 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 68%

**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 are below the minimum operating expenses established in the Regulations (See "Significant Information / Additional Conditions" Section below), 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**

Within 180 days of the reservation the applicant must provide TCAC the commitment from the Imperial Valley housing Authority for project-based vouchers. The commitment must verify the requirements of TCAC regulation section 10322(h)(22), which includes the number of units receiving vouchers by unit size and the monthly contract rent for each unit size.

The applicant's estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC's minimum. Per TCAC regulation 10327(g)(1), at placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

One of the affordable three-bedroom units will be occupied by a tax-credit qualified property manager. This unit is required to be in compliance with TCAC's manager unit policy outlined in the guidance memo published on TCAC's website (<https://www.treasurer.ca.gov/ctcac/manager-unit-memo.pdf>).

The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

**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.