

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 14, 2020**

The Courtyards at Kimball, located at 1105 National City Blvd. in National City, requested and is being recommended for a reservation of \$3,216,303 in annual federal tax credits and \$9,100,000 in total state tax credits to finance the new construction of 130 units of housing serving large families with rents affordable to households earning 50%-80% AMI of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 40 and Assembly District 80.

The project financing includes state funding from the MIP program through CalHFA.

Project Number CA-20-535

Project Name The Courtyards at Kimball
Site Address: 1105 National City Blvd.
National City, CA 91950 County: San Diego
Census Tract: 117.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$3,216,303	\$9,100,000
Recommended:	\$3,216,303	\$9,100,000

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

Applicant Information

Applicant: Riverside Charitable Corporation
Contact: Recinda Shafer
Address: 14131 Yorba Street
Tustin, CA 92780
Phone: 714.628.1654
Email: recinda@riversidecharitable.org

General Partner(s) or Principal Owner(s): TPC Holdings VII, LLC
Riverside Charitable Corporation

General Partner Type: Joint Venture
Parent Company(ies): The Pacific Companies
Riverside Charitable Corporation

Developer: Pacific West Communities, Inc.
Investor/Consultant: Boston Capital
Management Agent: ConAm Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 131
 No. / % of Low Income Units: 130 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Housing Finance Agency (CalHFA)
 Expected Date of Issuance: September 1, 2020

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: Sara Dixon

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 65	50%
60% AMI: 26	20%
70% AMI: 13	10%
80% AMI: 26	20%

Unit Mix

24 2-Bedroom Units
74 3-Bedroom Units
33 4-Bedroom Units
<u>131 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>
12 2 Bedrooms	50%	50%	\$1,203
5 2 Bedrooms	60%	60%	\$1,444
2 2 Bedrooms	70%	70%	\$1,685
5 2 Bedrooms	80%	80%	\$1,926
37 3 Bedrooms	50%	50%	\$1,391
15 3 Bedrooms	60%	60%	\$1,669
7 3 Bedrooms	70%	70%	\$1,947
14 3 Bedrooms	80%	80%	\$2,226
16 4 Bedrooms	50%	50%	\$1,552
6 4 Bedrooms	60%	60%	\$1,863
4 4 Bedrooms	70%	70%	\$2,173
7 4 Bedrooms	80%	80%	\$2,484
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,550,000
Construction Costs	\$55,935,388
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,800,000
Soft Cost Contingency	\$500,000
Relocation	\$0
Architectural/Engineering	\$990,000
Const. Interest, Perm. Financing	\$6,264,300
Legal Fees	\$100,000
Reserves	\$943,645
Other Costs	\$2,521,753
Developer Fee	\$8,000,000
Commercial Costs	\$0
Total	\$82,605,086

Residential

Construction Cost Per Square Foot:	\$254
Per Unit Cost:	\$630,573
True Cash Per Unit Cost*:	\$590,879

Construction Financing

Source	Amount
Citibank, N.A. - TE - Series A	\$38,000,000
Citibank, N.A. - Taxable - Series A	\$22,000,000
Bonneville - TE - Series B	\$10,000,000
Deferred Developer Fee	\$8,000,000
Deferred Costs	\$943,645
Tax Credit Equity	\$3,661,441

Permanent Financing

Source	Amount
Citibank, N.A. - TE -Series A	\$24,500,000
Bonneville - TE - Series B	\$10,000,000
CalHFA - MIP Loan	\$6,500,000
Deferred Developer Fee	\$5,200,000
Tax Credit Equity	\$36,405,086
TOTAL	\$82,605,086

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$76,360,477
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$99,268,620
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$3,216,303
Total State Credit:	\$9,100,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$8,000,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.89991
State Tax Credit Factor:	\$0.81992

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:	\$76,360,477
Actual Eligible Basis:	\$76,360,477
Unadjusted Threshold Basis Limit:	\$59,016,968
Total Adjusted Threshold Basis Limit:	\$100,189,126

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

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: 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 3.24% 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

Development costs are roughly \$590,879 per unit. The applicant noted the project will require significant excavation and retaining walls to support the parking areas and foundation. In addition, the project has a shoring plan designed to hold up the adjacent alley along with the building's foundation.

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.