

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 6, 2023**

Lexington Green Apartments, located at 1415 East Lexington Avenue, El Cajon, CA 92019 in El Cajon, requested and is being recommended for a reservation of \$3,256,445 in annual federal tax credits to finance the acquisition & rehabilitation of 143 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 39 and Assembly District 79.

Lexington Green Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Lexington Green Apartments (CA-2007-813). See Resyndication and Resyndication Transfer Event below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-23-622

Project Name Lexington Green Apartments

Site Address: 1415 East Lexington Avenue, El Cajon, CA 92019
El Cajon, CA 92019

County: San Diego

Census Tract: 156.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,256,445	\$0
Recommended:	\$3,256,445	\$0

Applicant Information

Applicant: Lexington Green Community Partners II, LP

Contact: Seth Gellis

Address: 17782 Sky Park Circle
Irvine, CA 92614

Phone: 949-278-3658

Email: sgellis@cpp-housing.com

General Partner(s) or Principal Owner(s): Lexington Green GP, LLC
FFAH V Lexington Green II, LLC

General Partner Type: Joint Venture

Parent Company(ies): WNC Development Partners 4, LLC
Foundation for Affordable Housing V, Inc

Developer: Community Preservation Partners, LLC

Bond Issuer: CSCDA

Investor/Consultant: WNC & Associates

Management Agent: FPI Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 12
 Total # of Units: 144
 No. / % of Low Income Units: 143 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (110 Units - 76%)

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 CTCAC Project Analyst: Nick White

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	15	10%
50% AMI:	15	10%
60% AMI:	113	79%

Unit Mix

16 1-Bedroom Units
 88 2-Bedroom Units
 40 3-Bedroom Units

 144 Total Units

Unit Type & Number	2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
9 1 Bedroom	60%	\$1,550
54 2 Bedrooms	60%	\$1,860
17 3 Bedrooms	60%	\$2,149
18 2 Bedrooms	60%	\$1,860
14 3 Bedrooms	60%	\$2,149
3 1 Bedroom	30%	\$775
8 2 Bedrooms	30%	\$930
4 3 Bedrooms	30%	\$1,074
1 1 Bedroom	60%	\$1,550
3 1 Bedroom	50%	\$1,291
7 2 Bedrooms	50%	\$1,550
5 3 Bedrooms	50%	\$1,791
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$52,930,000
Construction Costs	\$0
Rehabilitation Costs	\$10,098,089
Construction Hard Cost Contingency	\$1,009,808
Soft Cost Contingency	\$200,000
Relocation	\$432,000
Architectural/Engineering	\$446,140
Const. Interest, Perm. Financing	\$7,866,826
Legal Fees	\$340,000
Reserves	\$911,000
Other Costs	\$428,563
Developer Fee	\$5,496,476
Commercial Costs	\$0
Total	\$80,158,902

Residential

Construction Cost Per Square Foot:	\$78
Per Unit Cost:	\$556,659
True Cash Per Unit Cost*:	\$530,790

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
RedStone: Tax-Exempt	\$42,910,000	RedStone: Tax-Exempt	\$42,910,000
RedStone: Taxable	\$22,000,000	Seller Credit	\$768,560
Net Operating Income	\$2,637,379	Net Operating Income	\$3,661,603
Acquired Reserves	\$111,197	Acquired Reserves	\$111,197
Deferred Developer Fee	\$5,254,735	Deferred Developer Fee	\$3,725,179
Tax Credit Equity	\$7,245,591	Tax Credit Equity	\$28,982,363
		TOTAL	\$80,158,902

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$23,630,042
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$50,700,237
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$30,719,055
Qualified Basis (Acquisition):	\$50,700,237
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$1,228,436
Maximum Annual Federal Credit, Acquisition:	\$2,028,009
Total Maximum Annual Federal Credit:	\$3,256,445
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,496,476
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.89000

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.

Significant Information / Additional Conditions:

This Project's annual per unit operating expense total is below the CTCAC published per unit operating minimums of \$5,900. As allowed by CTCAC Regulation Section 10327(g)(1), CTCAC approves an annual per unit operating expense total of \$5,806 on agreement of the permanent lender and equity investor.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain CTCAC's consent to assign and assume the existing Regulatory Agreement (CA-07-813). 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-07-813) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on CTCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by CTCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of \$768,560. In consideration of the Short Term Work requirement, the seller of the project will give a credit in the amount of at least \$768,560. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).