

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 29, 2014**

Project Number CA-14-804

Project Name Rio Vista Apartments
Site Address: 1120-1160 San Ysidro Blvd
San Ysidro, CA 92173 County: San Diego
Census Tract: 101.110

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$936,583	\$0
Recommended:	\$936,583	\$0

Applicant Information

Applicant: Standard Rio Vista LP
Contact: Sydne Garchik
Address: 1801 Avenue of the Stars, Suite 515
Los Angeles, CA 90067
Phone: 310-553-5711 Fax: 310-551-1666
Email: sgarchik@standardproperty.com

General Partner(s) or Principal Owner(s): Standard Rio Vista GP, LLC
Housing on Merit
General Partner Type: Joint Venture
Parent Company(ies): Standard Property Company
Housing on Merit
Developer: Standard Property Co. / Jackson Square Properties
Investor/Consultant: Alliant Capital/Tax Credit Ventures IV LP
Management Agent: Apartment Management Consultants, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 12
Total # of Units: 161
No. & % of Tax Credit Units: 159 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / FHA HUD 223(f)
HCD MHP Funding: No
Utility Allowance: CUAC
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 16
Number of Units @ or below 60% of area median income: 143

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: January 30, 2014
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

120 2-Bedroom Units
 41 3-Bedroom Units

 161 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 2 Bedrooms	50%	50%	\$907
4 3 Bedrooms	50%	50%	\$1,048
107 2 Bedrooms	60%	60%	\$1,089
36 3 Bedrooms	60%	60%	\$1,257
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$32,158,175
 Estimated Residential Project Cost: \$32,158,175

Residential

Construction Cost Per Square Foot: \$30
 Per Unit Cost: \$199,740

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$16,000,000
Dougherty Mortgage - HUD 223(f)	\$6,000,000
Cash Flow During Construction	\$1,279,762
Deferred Developer Fee	\$730,141
Tax Credit Equity	\$8,148,272

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$16,000,000
Dougherty Mortgage - HUD 223(f)	\$6,000,000
Cash Flow During Construction	\$1,279,762
Deferred Developer Fee	\$730,141
Tax Credit Equity	\$8,148,272
TOTAL	\$32,158,175

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,744,222
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$21,800,724
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,467,489
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$21,800,724
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$238,960
Maximum Annual Federal Credit, Acquisition:	\$697,623
Total Maximum Annual Federal Credit:	\$936,583
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Alliant Capital/Tax Credit Ventures IV LP
Federal Tax Credit Factor:	\$0.87000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$27,544,946
Actual Eligible Basis:	\$27,544,946
Unadjusted Threshold Basis Limit:	\$46,224,640
Total Adjusted Threshold Basis Limit:	\$50,847,104

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 except for the three month operating reserve, see Special Issues/Other Significant Information. Annual operating expenses 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 3.20% 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.

Special Issues/Other Significant Information:

This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Rio Vista Apartments (CA-98-934).

TCAC staff calculated the three month operating reserve to be slightly below the minimum requirement set in regulation section 10327(c)(8)(C). The applicant is advised this needs to be within TCAC minimum requirements when the property places in service.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$936,583	\$0

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

Additional Conditions: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program on-site
- Instructor-led educational classes, health and wellness or skill-building classes on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project will implement the following sustainable building management practices:
 - (i) Development of a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Certify building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and (iii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).
- The rehabilitation project will be individually metering or sub-metered currently master metered gas, electricity, or central hot water systems for all tenants.