

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 21, 2014

Project Number CA-14-854

Project Name Garden Villas (fka Kiku Gardens)
 Site Address: 1260 Third Avenue
 Chula Vista, 91911 County: San Diego
 Census Tract: 132.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$487,115	\$0
Recommended:	\$487,115	\$0

Applicant Information

Applicant: Kiku Gardens Housing Partners, LP
 Contact: Casey Haeling
 Address: PO Box 33882
 San Diego, CA 92163
 Phone: (619) 548-0160 Fax: (619) 260-5563
 Email: casey@rahdgroup.com

General Partner(s)/Principal Owner(s):	Hearthstone Housing Foundation, Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	Hearthstone Housing Foundation, Inc.
Developer:	C&C Development, LLC
Investor/Consultant:	City Real Estate Advisors
Management Agent:	Royal Property Management Group, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 100
 No. & % of Tax Credit Units: 99 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Project-Based Section 8 Vouchers (99 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 20
 Number of Units @ or below 60% of area median income: 79

Bond Information

Issuer: Chula Vista Housing Authority
 Expected Date of Issuance: June, 2014
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

100 1-Bedroom Units
100 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
79 1 Bedroom	60%	60%	\$888
20 1 Bedroom	50%	50%	\$740
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$16,500,000
Estimated Residential Project Cost: \$16,500,000

Residential

Construction Cost Per Square Foot: \$54
Per Unit Cost: \$165,000

Construction Financing

<u>Source</u>	<u>Amount</u>
Freddie Mac / Citibank - TE Bonds	\$8,000,000
Freddie Mac / Citibank	\$3,200,000
Deferred Developer Fee	\$1,300,000
Tax Credit Equity	\$4,000,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
Freddie Mac / Citibank	\$11,200,000
Deferred Developer Fee	\$650,000
Tax Credit Equity	\$4,650,000
TOTAL	\$16,500,000

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,407,670
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,475,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,029,971
Applicable Rate:	3.36%
Qualified Basis (Acquisition):	\$7,475,000
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$235,955
Maximum Annual Federal Credit, Acquisition:	\$251,160
Total Maximum Annual Federal Credit:	\$487,115
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,685,713
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.95460

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:	\$12,882,670
Actual Eligible Basis:	\$12,882,670
Unadjusted Threshold Basis Limit:	\$23,344,600
Total Adjusted Threshold Basis Limit:	\$28,013,520

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: 20%

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 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 3.36% 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: None.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Chula Vista, has completed a site review of this project and strongly supports this project.

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
\$487,115	\$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: None.