CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 18, 2015

Project Number	CA-15-810

Project Name	Summit Rose Apartments	
Site Address:	460 East Washington Avenue	
	Escondido, CA 92026	County: San Diego
Census Tract:	202.140	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$429,816	$0
Recommended:	$429,816	$0

Applicant Information

Applicant:	Summit Rose Apartments LP		
Contact:	Chris Burns		
Address:	230 Newport Center Drive Suite 210		
	Newport Beach, CA 92660		
Phone:	(949) 719-1888	Fax:	(949) 719-1897
Email:	cburns@kdfcommunities.com		

General Partner(s) or Principal Owner(s):	Summit Rose MGP LLC
	Summit Rose COGP LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Affordable Housing Access
	KDF Communities LLC
Developer:	Summit Rose COGP LLC
Investor/Consultant:	WNC & Associates
Management Agent:	VPM Management Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	9	
Total # of Units:	91	
No. & % of Tax Credit Units:	90	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD 223(f)	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 50% of area median income: 9
Number of Units @ or below 60% of area median income: 81

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	April 1, 2015
Credit Enhancement:	HUD-FHA 223(f) Insured Loan

Information

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

Unit Mix

27	1-Bedroom Units
64	2-Bedroom Units
91	Total Units

Unit Type & Number		2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	50%	$740
24	1 Bedroom	60%	60%	$888
6	2 Bedrooms	50%	50%	$888
57	2 Bedrooms	60%	60%	$1,066
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,200

Project Financing	
Estimated Total Project Cost:	$15,258,638
Estimated Residential Project Cost:	$15,258,638

Residential	
Construction Cost Per Square Foot:	$31
Per Unit Cost:	$167,677

Construction Financing

Source	Amount
Pillar Capital - HUD 223(f)	$8,100,000
Seller Carryback Note	$1,000,000
Project Cash Flow	$895,793
Tax Credit Equity	$3,425,662

Permanent Financing

Source	Amount
Pillar Capital - HUD 223(f)	$8,100,000
Seller Carryback Note	$1,000,000
Project Cash Flow	$895,793
Deferred Developer Fee	$1,179,595
Tax Credit Equity	$4,083,250
TOTAL	**$15,258,638**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,519,353
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$8,774,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,575,158
Qualified Basis (Acquisition):	$8,774,500
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	$134,993
Maximum Annual Federal Credit, Acquisition:	$294,823
Total Maximum Annual Federal Credit:	$429,816
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,603,546
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.95000

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:	$12,293,853
Actual Eligible Basis:	$12,293,853
Unadjusted Threshold Basis Limit:	$24,325,442
Total Adjusted Threshold Basis Limit:	$26,757,986

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. 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: This project is a re-syndication of an existing Low-Income Housing Tax Credit (LIHTC) project, Southwest Summit Rose (CA-99-840).

Local Reviewing Agency:
The Local Reviewing Agency, the City of Escondido, 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
$429,816	**$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 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.