CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016
REVISED

San Vicente Townhomes, located at 250 San Vicente Road in Soledad, requested and is being recommended for a reservation of $231,936 in annual federal tax credits to finance the acquisition and rehabilitation of 49 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners, LLC and is located in Senate District 12 and Assembly District 30.

San Vicente Townhomes is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, San Vicente Townhomes (CA-95-020). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-894

Project Name San Vicente Townhomes
Site Address: 250 San Vicente Road
Soledad, CA 93960 County: Monterey
Census Tract: 111.020

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$231,936	$0
Recommended:	$231,936	$0

Applicant Information

Applicant:	San Vicente Soledad AR, L.P.
Contact:	Thomas Erickson
Address:	330 W. Victoria Street Gardena, CA 90248
Phone:	424-258-2918 Fax: 424-258-2919
Email:	thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s):	CHBA Affordable VI, LLC HCHP Affordable Multi-Family, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Community Home Builders and Associates Highridge Costa Housing Partners, LLC
Developer:	Highridge Costa Housing Partners, LLC
Investor/Consultant:	Victoria Capital, LLC
Management Agent:	Winn Residential California, L.P.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	9
Total # of Units:	50
No. & % of Tax Credit Units:	49 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 24
Number of Units @ or below 60% of area median income: 25

Bond Information

Issuer:	Golden State Finance Authority
Expected Date of Issuance:	July 20, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Zhuo Chen

Unit Mix

8	2-Bedroom Units
28	3-Bedroom Units
14	4-Bedroom Units
50	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	2 Bedrooms	50%	50%	$856
5	2 Bedrooms	60%	60%	$1,027
12	3 Bedrooms	50%	50%	$989
16	3 Bedrooms	60%	60%	$1,187
9	4 Bedrooms	50%	50%	$1,103
4	4 Bedrooms	60%	60%	$1,324
1	4 Bedrooms	Manager’s Unit	Manager’s Unit	$1,324

Project Cost Summary at Application

Land and Acquisition	$5,100,000
Construction Costs	$0
Rehabilitation Costs	$1,451,108
Construction Contingency	$10,000
Relocation	$0
Architectural/Engineering	$48,800
Const. Interest, Perm. Financing	$371,722
Legal Fees, Appraisals	$137,500
Reserves	$126,127
Other Costs	$81,879
Developer Fee	$930,939
Commercial Costs	$0
Total	**$8,258,075**

Project Financing

Estimated Total Project Cost:	$8,258,075
Estimated Residential Project Cost:	$8,258,075
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$22
Per Unit Cost:	$165,162
True Cash Per Unit Cost*:	$127,730

Construction Financing

Source	Amount
America First T.E. Investors, L.P.	$5,320,000
Seller Carryback Loan	$987,193
Seller Equity	$605,732
Net Operating Income	$127,276
Deferred Costs	$1,067,067
Tax Credit Equity	$150,808

Permanent Financing

Source	Amount
America First T.E. Investors, L.P.	$3,497,639
Seller Carryback Loan	$987,193
Seller Equity	$605,732
Net Operating Income	$127,276
Deferred Developer Fee	$884,392
Tax Credit Equity	$2,155,843
TOTAL	**$8,258,075**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$1,847,202
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$5,290,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$1,847,202
Qualified Basis (Acquisition):	$5,290,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$60,011
Maximum Annual Federal Credit, Acquisition:	$171,925
Total Maximum Annual Federal Credit:	$231,936
Approved Developer Fee (in Project Cost & Eligible Basis):	$930,939
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	$0.92950

Per Regulation Section 10322(h)(9)(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:	$7,137,202
Actual Eligible Basis:	$7,137,202
Unadjusted Threshold Basis Limit:	$18,528,676
Total Adjusted Threshold Basis Limit:	$27,422,440

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: 48%

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 3.25% 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

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% due to excessive expensiveness. The project shall provide 5% of units meeting the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use, except for the requirements to relocate the toilet and sink in the bathroom of the two-bedroom units, to move first floor interior structural walls in two-story townhouse units, and to add a bathtub in lieu of an existing shower in the first floor bathroom of three and four bedroom units.

The applicant’s estimated 3-month operating reserve shown in the application development budget is slightly below TCAC’s minimum requirement. The applicant is cautioned that the 3-month operating reserve must meet the TCAC's required minimum at placed-in-service review.

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. The initial 15 year compliance period is from 01/01/1998 through 12/31/2012. The existing regulatory agreement expires 12/31/2052. The existing regulatory agreement income targeting is 21 units at or below 50% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve in the amount of $576,000 that is otherwise required.

Local Reviewing Agency
The Local Reviewing Agency, the City of Soledad, has completed a site review of this project and takes no position on 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
$231,936	**$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.