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

Vista Terrace Hills, located at 1790 Del Sur Boulevard in San Ysidro, requested and is being recommended for a reservation of $3,657,908 in annual federal tax credits to finance the acquisition and rehabilitation of 260 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 40 and Assembly District 80.

Vista Terrace Hills is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Vista Terrace Hills (CA-01-852). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-16-897

Project Name Vista Terrace Hills
Site Address: 1790 Del Sur Boulevard
San Ysidro, CA 92173 County: San Diego
Census Tract: 100.05/4

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,657,908	$0
Recommended:	$3,657,908	$0

Applicant Information
Applicant: Eden Vista Terrace 2, L.P.
Contact: Andy Madeira
Address: 22645 Grand Street
Hayward, CA 94541
Phone: 510-582-1460 Fax: 510-582-0122
Email: amadeira@edenhousing.org

General Partner(s) or Principal Owner(s): Eden Vista Terrace GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing, Inc.
Developer: Eden Housing, Inc.
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Eden Housing Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	30
Total # of Units:	262
No. & % of Tax Credit Units:	260 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Vouchers (260 Units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 35% of area median income: 26
Number of Units @ or below 50% of area median income: 78
Number of Units @ or below 60% of area median income: 156

Bond Information

Issuer:	San Diego Housing Commission
Expected Date of Issuance:	August 1, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

210	3-Bedroom Units
52	4-Bedroom Units
262	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
21	3 Bedrooms	30%	30%	$663
5	4 Bedrooms	30%	30%	$739
58	3 Bedrooms	50%	50%	$1,105
20	4 Bedrooms	50%	50%	$1,232
12	3 Bedrooms	60%	60%	$1,326
49	3 Bedrooms	60%	60%	$1,326
27	4 Bedrooms	60%	60%	$1,478
68	3 Bedrooms	60%	60%	$1,326
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$70,366,850
Construction Costs	$0
Rehabilitation Costs	$19,000,000
Construction Contingency	$3,800,000
Relocation	$850,000
Architectural/Engineering	$350,000
Const. Interest, Perm. Financing	$4,891,758
Legal Fees, Appraisals	$237,000
Reserves	$1,561,675
Other Costs	$1,270,999
Developer Fee	$13,484,931
Commercial Costs	$0
Total	**$115,813,213**

Project Financing

Estimated Total Project Cost:	$115,813,213
Estimated Residential Project Cost:	$115,813,213
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$67
Per Unit Cost:	$442,035
True Cash Per Unit Cost*:	$406,215

Construction Financing

Source	Amount
JP Morgan Chase	$99,995,347
Replacement Reserve Withrawal	$356,850
GP Capital For Short Term Work	$263,160
Deferred Costs	$2,038,600
Deferred Developer Fee	$9,384,931
Tax Credit Equity	$3,774,325

Permanent Financing

Source	Amount
Cornerstone Real Estate Advisers	$61,657,400
Replacement Reserve Withdrawal	$356,850
GP Capital For Short Term Work	$263,160
Operating Income	$3,300,000
Deferred Developer Fee	$9,384,931
Tax Credit Equity	$40,850,872
TOTAL	**$115,813,213**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$30,555,069
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$72,829,401
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$39,721,589
Qualified Basis (Acquisition):	$72,829,401
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$1,290,952
Maximum Annual Federal Credit, Acquisition:	$2,366,956
Total Maximum Annual Federal Credit:	$3,657,908
Approved Developer Fee (in Project Cost & Eligible Basis):	$13,484,931
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.11678

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:	$103,384,470
Actual Eligible Basis:	$103,384,470
Unadjusted Threshold Basis Limit:	$95,752,188
Total Adjusted Threshold Basis Limit:	$143,628,282

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: 30%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 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 3.25% 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 proposed rent do not include any utility allowance. The owner will pay for all utilities.

The applicant requested and was granted a partial waiver of accessibility requirements under TCAC Regulation Section 10325(f)(7)(K) which requires 10% of units provide mobility accessibility. The applicant is still required to comply with the requirement to provide 4% of units with communications accessibility.

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 1/01/2001 through 12/31/2015. The existing regulatory agreement expires 12/31/2030. The existing regulatory agreement income targeting is 10% of units at or below 50% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event. The project sets aside a Short Term Work Capitalized Replacement Reserve in the amount of $262,000 in accordance to TCAC regulatory requirements. The Short Term Work Reserve Amount of $262,000 is excluded from eligible basis.

Per TCAC Regulation Section 10325(f)(7)(J) the project has committed to employ an equivalent number of on-site and additional full-time property management staff. The project will have two (2) on-site manager units occupied by a resident manager and an assistant manager. An additional assistant manager, two (2) maintenance staff, and a janitor will also be employed on-site full-time. TCAC reserves the right to require that an additional on-site managers' unit be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

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
$3,657,908	**$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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.