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

Cedar Nettleton Apartments, located at 243 Cedar Road and 160 Nettleton Road in Vista, requested and is being recommended for a reservation of $424,685 in annual federal tax credits to finance the acquisition and rehabilitation of 68 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Community HousingWorks and is located in Senate District 36 and Assembly District 76.

Cedar Nettleton Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) projects, Cedar Apartments (CA-94-180) and Nettleton Apartments (CA-97-039). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-914

Project Name Cedar Nettleton Apartments
- Site Address: 243 Cedar Road and 160 Nettleton Road
  Vista, CA 92083 County: San Diego
- Census Tract: 185.190

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$424,685	$0
Recommended:	$424,685	$0

Applicant Information

Applicant:	Cedar Nettleton Housing Associates, L.P.
Contact:	Anne B. Wilson
Address:	2815 Camino del Rio South, Suite 350 San Diego, CA 92108
Phone:	(619) 282-6647 Fax: (619) 282-4145
Email:	awilson@chworks.org

General Partner(s) or Principal Owner(s):	Vista Lilac LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Community HousingWorks
Developer:	Community HousingWorks
Investor/Consultant:	Community Economics
Management Agent:	ConAm Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	14
Total # of Units:	68
No. & % of Tax Credit Units:	67 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 35% of area median income: 14
Number of Units @ or below 50% of area median income: 34
Number of Units @ or below 60% of area median income: 19

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	November 15, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

18 2-Bedroom Units
36 3-Bedroom Units
14 4-Bedroom Units
68 Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	2 Bedrooms	30%	30%	$573
11	3 Bedrooms	30%	30%	$663
1	4 Bedrooms	30%	30%	$739
4	2 Bedrooms	50%	50%	$956
17	3 Bedrooms	50%	50%	$1,105
13	4 Bedrooms	50%	50%	$1,232
4	2 Bedrooms	60%	60%	$1,147
8	2 Bedrooms	60%	60%	$1,147
7	3 Bedrooms	60%	60%	$1,326
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$7,924,922
Construction Costs	$0
Rehabilitation Costs	$2,163,636
Construction Contingency	$216,364
Relocation	$85,140
Architectural/Engineering	$190,000
Const. Interest, Perm. Financing	$601,716
Legal Fees, Appraisals	$39,000
Reserves	$563,382
Other Costs	$279,257
Developer Fee	$1,604,847
Commercial Costs	$0
Total	**$13,668,264**

Project Financing

Estimated Total Project Cost:	$13,668,264
Estimated Residential Project Cost:	$13,668,264
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$29
Per Unit Cost:	$201,004
True Cash Per Unit Cost*:	$151,750

Construction Financing

Source	Amount
Wells Fargo	$8,200,000
Seller Carryback Loan	$3,349,262
General Partner Equity	$486
Tax Credit Equity	$486,602

Permanent Financing

Source	Amount
Wells Fargo	$4,730,000
Seller Carryback Loan	$3,349,262
Operating Income	$268,539
Existing Reserves	$536,000
General Partner Equity	$486
Tax Credit Equity	$4,783,976
TOTAL	**$13,668,264**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,502,760
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$8,801,279
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,553,588
Qualified Basis (Acquisition):	$8,801,279
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$138,643
Maximum Annual Federal Credit, Acquisition:	$286,042
Total Maximum Annual Federal Credit:	$424,685
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,604,847
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$1.12648

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:	$12,304,040
Actual Eligible Basis:	$12,304,040
Unadjusted Threshold Basis Limit:	$23,465,082
Total Adjusted Threshold Basis Limit:	$44,583,656

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: 50%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 40%

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

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 for Cedar Apartments (CA-94-180) is from 1/1/1997 to 12/31/2011 and Nettleton Apartments (CA-97-039) is from 1/1/1999 to 12/31/2013. The existing regulatory agreement of Cedar Apartments (CA-94-180) expires 12/31/2051, and the existing regulatory agreement of Nettleton Apartments (CA-97-039) expires 12/31/2053. The existing regulatory agreement income targeting of Cedar Apartments (CA-94-180) is 16 units at or below 50% AMI, and the existing regulatory agreement income targeting of Nettleton Apartments (CA-97-039) is 100% of the units at or below 40% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $41,007. In lieu of a Short Term Work Capitalized Reserve, the applicant is allowed to use the Short Term Work Reserve Amount to fund rehabilitation expenses. The Short Term Work Reserve Amount of $41,007 is excluded from eligible basis.

Local Reviewing Agency
The Local Reviewing Agency, the City of 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
$424,685	**$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.