CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 18, 2017

Casa Puleta Apartments, located at 1443 S. 45th Street in San Diego, requested and is being recommended for a reservation of $349,739 in annual federal tax credits to finance the acquisition and rehabilitation of 53 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Willow Partners LLC and is located in Senate District 40 and Assembly District 80.

Casa Puleta Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Casa Puleta Apartments (CA-2002-111). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-702

Project Name Casa Puleta Apartments
Site Address: 1443 S. 45th Street
San Diego, CA 92113 County: San Diego
Census Tract: 33.03

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$349,739	$0
Recommended:	$349,739	$0

Applicant Information

Applicant:	Casa Puleta Apartments, LP
Contact:	Amelia Ross
Address:	310 N. Westlake Blvd., Ste. 210 Westlake Village, CA 91362
Phone:	805-379-8555
Email:	aross@willowpartners.com

General Partner(s) or Principal Owner(s):	WP Casa Puleta LLC AOF Casa Puleta LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Willow Partners LLC AOF / Pacific Housing Corporation
Developer:	Willow Partners LLC
Investor/Consultant:	City Real Estate Advisors LLC
Management Agent:	John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	5
Total # of Units:	54
No. & % of Tax Credit Units:	53 100.00%
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:	6
Number of Units @ or below 50% of area median income:	33
Number of Units @ or below 60% of area median income:	14

Bond Information

Issuer:	San Diego Housing Commission
Expected Date of Issuance:	March 16, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Zhuo Chen

Unit Mix

11	2-Bedroom Units
27	3-Bedroom Units
16	4-Bedroom Units
54	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	2 Bedrooms	30%	30%	$573
5	2 Bedrooms	40%	40%	$765
1	3 Bedrooms	40%	40%	$884
25	3 Bedrooms	50%	50%	$1,105
2	4 Bedrooms	50%	50%	$1,232
14	4 Bedrooms	60%	60%	$1,479
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$6,241,000
Construction Costs	$0
Rehabilitation Costs	$1,677,324
Construction Contingency	$226,448
Relocation	$0
Architectural/Engineering	$197,500
Const. Interest, Perm. Financing	$270,000
Legal Fees, Appraisals	$257,500
Reserves	$141,002
Other Costs	$416,789
Developer Fee	$1,246,645
Commercial Costs	$0
Total	**$10,674,208**

Project Financing

Estimated Total Project Cost:	$10,674,208
Estimated Residential Project Cost:	$10,674,208
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$27
Per Unit Cost:	$197,671
True Cash Per Unit Cost*:	$175,173

Construction Financing

Source	Amount
CBRE Capital Markets - T.E. Bonds	$5,400,000
Seller Carryback Loan	$591,513
Seller Credit	$47,743
Net Operating Income	$122,191
Deferred Developer Fee	$623,332
Solar Tax Credit Equity	$42,300
Tax Credit Equity	$3,847,129

Permanent Financing

Source	Amount
CBRE Capital Markets - T.E. Bonds	$5,400,000
Seller Carryback Loan	$591,513
Seller Credit	$47,743
Net Operating Income	$122,191
Deferred Developer Fee	$623,332
Solar Tax Credit Equity	$42,300
Tax Credit Equity	$3,847,129
TOTAL	**$10,674,208**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,311,963
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,455,650
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,305,552
Qualified Basis (Acquisition):	$6,455,650
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$139,930
Maximum Annual Federal Credit, Acquisition:	$209,809
Total Maximum Annual Federal Credit:	$349,739
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,246,645
Investor/Consultant:	City Real Estate Advisors LLC
Federal Tax Credit Factor:	$1.10000

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:	$9,767,613
Actual Eligible Basis:	$9,767,613
Unadjusted Threshold Basis Limit:	$19,090,576
Total Adjusted Threshold Basis Limit:	$35,126,660

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: 62%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 22%

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2002-111). 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 01/01/2002 through 12/31/2016. The existing regulatory agreement expires 12/31/2056. The existing regulatory agreement income targeting is 10% of the units at or below 30% AMI, 10% of the units at or below 40% AMI, and 50% of the units at or below 50% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication subject to the hold harmless rent limits. The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on the year in which the existing TCAC projects were originally placed-in-service: year 2002. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for: 10% of the units at or below 30% AMI, 10% of the units at or below 40% AMI, and 50% of the units at or below 50% AMI, provided that such hold harmless rents do not exceed the current tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

The project is a resyndication 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 $42,993. In consideration of requirement of the Short Term Work Capitalized Replacement Reserve, the seller of the project will give a credit in the amount of $47,743. As a result of the seller credit, the applicant is allowed to use the Short Term Work Reserve Amount to fund rehabilitation expenses in lieu of setting aside of a Short Term Work Capitalized Reserve and to receive eligible basis for such amount.

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**
$349,739	**$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.