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

Bella Vista Apartments, located at 4742 Solola Avenue in San Diego, requested and is being recommended for a reservation of $1,473,931 in annual federal tax credits to finance the acquisition and rehabilitation of 169 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Islas Development and is located in Senate District 40 and Assembly District 79.

Bella Vista Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Logan Square Apartments (CA-2001-909). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-17-704

Project Name Bella Vista Apartments
Site Address: 4742 Solola Avenue
San Diego, CA 92113 County: San Diego
Census Tract: 33.050

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,473,931	$0
Recommended:	$1,473,931	$0

Applicant Information
Applicant: Bella Vista Affordable Communities, LP
Contact: Peter Lopez-Hodoyan
Address: 1927 Adams Avenue #200
San Diego, CA 92116
Phone: (480) 899-3545 Fax: (480) 718-7466
Email: peter@logancapitaladvisors.com

General Partner(s) or Principal Owner(s): Bella Vista Communities, LLC
Casa Familiar
General Partner Type: Joint Venture
Parent Company(ies): Suffolk Development, LLC, Islas Development, LLC, & Finco Development, Inc.
Casa Familiar
Developer: Islas Development
Investor/Consultant: RBC Tax Credit Equity LLC
Management Agent: Logan Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 20
Total # of Units: 170
No. & % of Tax Credit Units: 169 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt/HUD Section 8 Project-Based Contract (84% - 144 units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 152

Bond Information

Issuer: Housing Authority of City of San Diego
Expected Date of Issuance: February 1, 2017
Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
Geographic Area: San Diego County
TCAC Project Analyst: Marlene McDonough

Unit Mix

52	1-Bedroom Units
94	2-Bedroom Units
24	3-Bedroom Units
170	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
42	1 Bedroom	60%	60%	$955
5	1 Bedroom	60%	60%	$955
5	1 Bedroom	50%	50%	$796
66	2 Bedrooms	60%	60%	$1,147
18	2 Bedrooms	60%	60%	$1,147
10	2 Bedrooms	50%	50%	$956
9	3 Bedrooms	60%	60%	$1,326
10	3 Bedrooms	60%	60%	$1,326
2	3 Bedrooms	60%	60%	$1,326
2	3 Bedrooms	50%	50%	$1,105
1	3 Bedrooms	Manager’s Unit*	Manager’s Unit*	$0

* See **Special Issues/Other Significant Information** section of staff report.

Project Cost Summary at Application

Land and Acquisition	$28,600,000
Construction Costs	$0
Rehabilitation Costs	$7,868,280
Construction Contingency	$755,556
Relocation	$200,000
Architectural/Engineering	$85,000
Const. Interest, Perm. Financing	$735,630
Legal Fees, Appraisals	$410,000
Reserves	$600,471
Other Costs	$624,326
Developer Fee	$5,478,032
Total	**$45,357,295**

Project Financing

Estimated Total Project Cost:	$45,357,295
Estimated Residential Project Cost:	$45,357,295
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$58
Per Unit Cost:	$266,808
True Cash Per Unit Cost*:	$236,766

Construction Financing

Source	Amount
Citibank	$23,300,000
Citibank - Tranche B	$12,700,000
Deferred Developer Fee	$5,777,033
Tax Credit Equity	$3,580,262

Permanent Financing

Source	Amount
Citibank	$23,300,000
Deferred Developer Fee	$5,107,088
Tax Credit Equity	$16,950,207
TOTAL	**$45,357,295**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,178,248
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$30,820,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,531,723
Qualified Basis (Acquisition):	$30,820,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$472,281
Maximum Annual Federal Credit, Acquisition:	$1,001,650
Total Maximum Annual Federal Credit:	$1,473,931
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,478,032
Investor/Consultant:	RBC Tax Credit Equity LLC
Federal Tax Credit Factor:	$1.15000

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:	$41,998,248
Actual Eligible Basis:	$41,998,248
Unadjusted Threshold Basis Limit:	$46,857,588
Total Adjusted Threshold Basis Limit:	$51,543,347

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 3.25% 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-2001-909). 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 12/31/2031. The existing regulatory agreement income targeting is 17 units at or below 50% AMI, 152 units at or below 60% 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 occurring concurrently with a Transfer Event with distribution of Net Project Equity. The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a capitalized replacement reserve in the amount of $93,350 which will continue to stay with the project. This Subsequent Transfer Event does not trigger any requirement of either a seller carryback note or a general partner equity contribution.

The project will consist of two (2) manager units. One manager unit will be occupied by the on-site manager and will be an exempt unit. The other unit will be occupied by an income-qualified tenant in a two bedroom unit restricted as or below 60% AMI.

Local Reviewing Agency
The Local Reviewing Agency, San Diego Housing Commission, 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
$1,473,931	**$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 provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program on-site for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year