**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**March 15, 2017**

Summer Field Apartments, located at 83385 Gemini Street in Indio, requested and is being recommended for a reservation of $2,086,892 in annual federal tax credits to finance the acquisition and rehabilitation of 266 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 Community Preservation Partners and is located in Senate District 28 and Assembly District 56.

Summer Field Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Summer Field Apartments (CA-01-887). 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-17-722

**Project Name** Summer Field Apartments
Site Address: 83385 Gemini Street
Indio, CA 92201 County: Riverside
Census Tract: 495.000

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $2,086,892 | $0 |
| Recommended: | $2,086,892 | $0 |

**Applicant Information**

| | |
|---|---|
| Applicant: | Summer Field Community Partners, LP |
| Contact: | Seth Gellis |
| Address: | 83385 Gemini Street<br>Indio, CA 92201 |
| Phone: | 949-236-8280 |
| Email: | sgellis@cpp-housing.com |

| | |
|---|---|
| General Partner(s) or Principal Owner(s): | JHC- Summer Field, LLC<br>WNC- Summer Field GP, LLC |
| General Partner Type: | Joint Venture |
| Parent Company(ies): | Jamboree Housing Corporation<br>WNC Development Partners, LLC |
| Developer: | Community Preservation Partners, LLC |
| Investor/Consultant: | WNC & Associates |
| Management Agent: | FPI Management, Inc. |

**Project Information**

| | |
|---|---|
| Construction Type: | Acquisition & Rehabilitation |
| Total # Residential Buildings: | 37 |
| Total # of Units: | 268 |
| No. & % of Tax Credit Units: | 266 100.00% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | Tax-Exempt / HUD Section 8 Project-Based Contract (268 Units - 100%) |
| HCD MHP Funding: | No |
| 55-Year Use/Affordability: | Yes |
| Number of Units @ or below 50% of area median income: | 83 |
| Number of Units @ or below 60% of area median income: | 183 |

**Bond Information**

| | |
|---|---|
| Issuer: | CSCDA |
| Expected Date of Issuance: | April 1, 2017 |
| Credit Enhancement: | N/A |

**Information**

| | |
|---|---|
| Housing Type: | Large Family |
| Geographic Area: | Inland Empire Region |
| TCAC Project Analyst: | DC Navarrette |

**Unit Mix**

| | |
|---|---|
| 32 | 1-Bedroom Units |
| 92 | 2-Bedroom Units |
| 96 | 3-Bedroom Units |
| 48 | 4-Bedroom Units |
| 268 | Total Units |

| Unit Type & Number | | 2016 Rents Targeted % of Area Median Income | 2016 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| **SITE 1** | | | | |
| 8 | 1 Bedroom | 50% | 50% | $600 |
| 27 | 2 Bedrooms | 50% | 50% | $720 |
| 28 | 3 Bedrooms | 50% | 50% | $831 |
| 2 | 3 Bedrooms | 50% | 50% | $831 |
| 10 | 4 Bedrooms | 50% | 50% | $927 |
| 5 | 5 Bedrooms | 50% | 50% | $1,023 |
| 8 | 1 Bedroom | 60% | 60% | $720 |
| 52 | 2 Bedrooms | 60% | 60% | $864 |
| 62 | 3 Bedrooms | 60% | 60% | $997 |
| 3 | 3 Bedrooms | 60% | 60% | $997 |
| 22 | 4 Bedrooms | 60% | 60% | $1,113 |
| 11 | 5 Bedrooms | 60% | 60% | $1,227 |
| **SITE 2** | | | | |
| 2 | 1 Bedroom | 50% | 50% | $600 |
| 1 | 2 Bedrooms | 50% | 50% | $720 |
| 14 | 1 Bedroom | 60% | 60% | $717 |
| 11 | 2 Bedrooms | 60% | 58% | $842 |
| 1 | 2 Bedrooms | Manager’s Unit | Manager’s Unit | $1,190 |
| 1 | 3 Bedrooms | Manager’s Unit | Manager’s Unit | $1,720 |

Projected Lifetime Rent Benefit: $55,797,227

| **Project Cost Summary at Application** | |
|---|---|
| Land and Acquisition | $36,000,000 |
| Construction Costs | $0 |
| Rehabilitation Costs | $12,379,913 |
| Construction Contingency | $1,244,542 |
| Relocation | $570,000 |
| Architectural/Engineering | $215,000 |
| Const. Interest, Perm. Financing | $8,848,412 |
| Legal Fees, Appraisals | $207,500 |
| Reserves | $4,664,069 |
| Other Costs | $707,224 |
| Developer Fee | $7,597,741 |
| Commercial Costs | $0 |
| **Total** | **$72,434,401** |

| Project Financing | |
|---|---|
| Estimated Total Project Cost: | $72,434,401 |
| Estimated Residential Project Cost: | $72,434,401 |
| Estimated Commercial Project Cost: | $0 |

| Residential | |
|---|---|
| Construction Cost Per Square Foot: | $51 |
| Per Unit Cost: | $270,278 |
| True Cash Per Unit Cost*: | $255,069 |

**Construction Financing**

| Source | Amount |
|---|---|
| Jones Lang LaSalle | $42,000,000 |
| Renovation Reserves | $1,540,027 |
| Replacement Reserves | $1,185,608 |
| Capitalized Interest | $2,346,475 |
| Deferred Developer Fee | $7,597,741 |
| Tax Credit Equity | $17,764,550 |

**Permanent Financing**

| Source | Amount |
|---|---|
| Jones Lang LaSalle | $42,000,000 |
| Renovation Reserves | $1,540,027 |
| Replacement Reserves | $1,185,608 |
| Capitalized Interest | $2,346,475 |
| Deferred Developer Fee | $4,075,993 |
| Tax Credit Equity | $21,286,298 |
| **TOTAL** | **$72,434,401** |

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

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis (Rehabilitation): | $21,872,832 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | $36,376,514 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | $28,434,682 |
| Qualified Basis (Acquisition): | $36,376,514 |
| Applicable Rate: | 3.22% |
| Maximum Annual Federal Credit, Rehabilitation: | $915,568 |
| Maximum Annual Federal Credit, Acquisition: | $1,171,324 |
| Total Maximum Annual Federal Credit: | $2,086,892 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | $7,597,741 |
| Investor/Consultant: | WNC & Associates |
| Federal Tax Credit Factor: | $1.02000 |

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: | $58,249,346 |
| Actual Eligible Basis: | $58,249,346 |
| Unadjusted Threshold Basis Limit: | $87,503,328 |
| Total Adjusted Threshold Basis Limit: | $109,403,950 |

### 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: 31%

## 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 3.22% 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

This project involves the rehabilitation of two scattered-sites.

Per regulation section 10325(g) this property consisting of 268 is required to provide three on-site manager's units. The applicant has proposed two on-site manager's units as well as a full-time assistant manager, two leasing consultants, a full-time maintenance supervisor, and four maintenance technicians available during business hours. Additionally at least one of the maintenance staff members is on call after hours in addition to the maintenance technician who occupies one of the on-site units. TCAC reserves the right to require that one or more on-site managers' units 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.

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-01-887). 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 01/01/2003 through 12/31/2017. The existing regulatory agreement expires 12/31/2032. The existing regulatory agreement income targeting is 27 units at or below 50% AMI, and 238 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 after a Transfer Event that qualified for an exemption because the transfer of ownerships occurred before 10/9/2015.

## 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 |
|---|---|
| **$2,086,892** | **$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.