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

Paseo del Oro Apartments, located at 428, 430, 432, 434, 436, 438, 440, 446, 458, 460, 464, 466, 470, 472, 474, 476, 480, and 482 West Mission Road in San Marcos, requested and is being recommended for a reservation of $667,024 in annual federal tax credits to finance the acquisition and rehabilitation of 102 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by National Community Renaissance and is located in Senate District 75 and Assembly District 38.

Paseo del Oro Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, West Mission Corridor Revitalization (CA-2000-190). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number	CA-17-788
Project Name	Paseo del Oro Apartments
Site Address:	428, 430, 432, 434, 436, 438, 440, 446, 458, 460, 464, 466, 470, 472, 474, 476, 480, 482 West Mission Road San Marcos, CA 92069 County: San Diego
Census Tract:	60730200.21

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$667,024	$0
Recommended:	$667,024	$0

Applicant Information

Applicant:	Paseo del Oro Apartments, L.P.
Contact:	Kevin Chin
Address:	9421 Haven Avenue Rancho Cucamonga, CA 91730
Phone:	909-204-3450
Email:	kchin@nationalcore.org

General Partner(s) or Principal Owner(s):	Paseo del Oro GP, LLC
General Partner Type:	For Profit
Parent Company(ies):	National Community Renaissance
Developer:	National Community Renaissance
Investor/Consultant:	WNC & Associates
Management Agent:	National Community Renaissance

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	16
Total # of Units:	120
No. & % of Tax Credit Units:	102 85.71%
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: 3
Number of Units @ or below 45% of area median income: 47
Number of Units @ or below 50% of area median income: 52

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	December 15, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Diane SooHoo

Unit Mix

24	1-Bedroom Units
59	2-Bedroom Units
37	3-Bedroom Units
120	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	30%	30%	$511
9	1 Bedroom	45%	45%	$767
11	1 Bedroom	50%	50%	$853
1	2 Bedrooms	30%	30%	$614
23	2 Bedrooms	45%	45%	$921
25	2 Bedrooms	50%	50%	$1,023
1	3 Bedrooms	30%	29%	$682
11	3 Bedrooms	45%	45%	$1,063
14	3 Bedrooms	50%	50%	$1,181
4	3 Bedrooms	45%	45%	$1,063
2	3 Bedrooms	50%	50%	$1,181
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
3	1 Bedroom	Market Rate Unit	Market Rate Unit	$1,200
9	2 Bedrooms	Market Rate Unit	Market Rate Unit	$1,400
3	3 Bedrooms	Market Rate Unit	Market Rate Unit	$1,525
2	3 Bedrooms	Market Rate Unit	Market Rate Unit	$1,700

Projected Lifetime Rent Benefit: $64,540,740

Project Cost Summary at Application

Land and Acquisition	$13,774,000
Construction Costs	$0
Rehabilitation Costs	$5,780,110
Construction Contingency	$578,011
Relocation	$120,000
Architectural/Engineering	$145,000
Const. Interest, Perm. Financing	$1,196,114
Legal Fees, Appraisals	$90,000
Reserves	$330,138
Other Costs	$197,609
Developer Fee	$2,870,762
Commercial Costs	$0
Total	**$25,081,744**

Project Financing

Estimated Total Project Cost:	$25,081,744
Estimated Residential Project Cost:	$25,081,744
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$51
Per Unit Cost:	$209,015
True Cash Per Unit Cost*:	$171,720

Construction Financing

Source	Amount
Citibank	$11,974,000
City of San Marcos - Assumed Loan	$3,727,438
County of San Diego - Assumed Loan	$2,233,849
Seller Carryback Loan	$3,666,447
Income from Operations	$681,506
Existing Reserve	$193,740
Deferred Developer Fee	$2,604,764

Permanent Financing

Source	Amount
Citibank	$7,233,000
City of San Marcos - Assumed Loan	$3,727,438
County of San Diego - Assumed Loan	$2,233,849
Seller Carryback Loan	$3,666,447
Income from Operations	$681,506
Existing Reserve	$193,740
Deferred Developer Fee	$808,923
Tax Credit Equity	$6,536,841
TOTAL	**$25,081,744**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$8,604,830
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$13,422,393
Applicable Fraction:	84.65%
Qualified Basis (Rehabilitation):	$9,469,684
Qualified Basis (Acquisition):	$11,362,654
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$297,738
Maximum Annual Federal Credit, Acquisition:	$369,286
Total Maximum Annual Federal Credit:	$667,024
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,870,762
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.98

Per Regulation Section 10327(c)(6), 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:	$22,027,223
Actual Eligible Basis:	$22,027,223
Unadjusted Threshold Basis Limit:	$35,654,704
Total Adjusted Threshold Basis Limit:	$66,674,296

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: 83%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 4%

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 applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) to 5% due to excessive expensiveness and undue financial burden. The project shall provide 5% of the units (6 units) meeting the provisions of California Building Code Chapter 11(B) regarding mobility accessibility features. The project shall provide 4% communications accessible units (5 units).

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2000-190). 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 01/01/2001 through 12/31/2015. The project buildings had first year credit periods of both 2001 and 2002. The existing regulatory agreement expires 12/31/2055. The existing 120 unit project consists of 95 low-income units, 1 manager's unit, and 24 market rate units. The existing regulatory agreement income targeting for the 95 low-income units is 45% of the units (43 units) at or below 45% AMI and 50% of the units (48 units) at or below 50% AMI.

The project is converting 7 market rate units to low-income units, resulting in 102 low-income units, 1 manager's unit, and 17 market rate units. The new reservation of tax credits will also result in moderately deeper rent/income targeting than the original award of tax credits. Of the 102 low-income units, 3 units will be restricted at 30% AMI, 47 units will be restricted at 45% AMI, and 52 units will be restricted at 50% AMI. The newly resyndicated project shall continue to meet the rent and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement.

The large family project is a resyndication where the existing regulatory agreement requires service amenities of after school programs and educational classes. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement by providing after school programs and adult educational classes free of charge to tenants for a period of at least 15 years.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $75,468. The purchase price of $13,774,000 is less than the appraised value of $14,000,000. The $226,000 difference between the purchase price and the appraisal value is deemed a seller discount. Since the seller discount is greater than the short term work amount, the project is allowed to receive eligible basis for the entire amount of Short Term Work.

Local Reviewing Agency

The Local Reviewing Agency, City of San Marcos, 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
$667,024	**$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.