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

Vista Del Sol Apartments, located at 1400, 1401-1410, 1421, 1433, 1436, 1438, 1440, 1445, 1536-1539, 1543 and 1545 Q Avenue in National City, requested and is being recommended for a reservation of $911,739 in annual federal tax credits to finance the acquisition and rehabilitation of 130 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 National Community Renaissance and is located in Senate District 40 and Assembly District 79.

Vista Del Sol Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Vista del Sol (CA-1999-826). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-789

Project Name Vista del Sol Apartments

Site Address: 1400, 1401-1410, 1421, 1433, 1436, 1438, 1440, 1445, 1536-1539, 1543 and 1545 Q Avenue
National City, CA 91950 County: San Diego

Census Tract: 220.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$911,739	$0
Recommended:	$911,739	$0

Applicant Information

Applicant: Vista del Sol 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): Vistal del Sol GP LLC
General Partner Type: Non-profit
Parent Company: 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:	14
Total # of Units:	132
No. & % of Tax Credit Units:	130 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	None
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	27
Number of Units @ or below 60% of area median income:	103

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:	Marlene McDonough

Unit Mix

78	1-Bedroom Units
46	2-Bedroom Units
8	3-Bedroom Units
132	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16	1 Bedroom	50%	46%	$793
58	1 Bedroom	60%	56%	$951
4	1 Bedroom	60%	56%	$951
8	2 Bedrooms	50%	44%	$891
34	2 Bedrooms	60%	52%	$1,070
1	2 Bedrooms	50%	44%	$891
3	2 Bedrooms	60%	52%	$1,070
2	3 Bedrooms	50%	42%	$991
4	3 Bedrooms	60%	50%	$1,189
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,120

Projected Lifetime Rent Benefit: $22,606,980

Project Cost Summary at Application

Land and Acquisition	$14,792,000
Construction Costs	$0
Rehabilitation Costs	$6,224,376
Construction Contingency	$622,438
Relocation	$198,000
Architectural/Engineering	$145,000
Const. Interest, Perm. Financing	$1,363,179
Legal Fees, Appraisals	$190,740
Reserves	$1,332,260
Other Costs	$333,979
Developer Fee	$3,294,631
Commercial Costs	$0
Total	**$28,496,603**

Project Financing

Estimated Total Project Cost:	$28,496,603
Estimated Residential Project Cost:	$28,496,603
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$80
Per Unit Cost:	$215,883
True Cash Per Unit Cost*:	$200,103

Construction Financing

Source	Amount
Citibank	$13,750,000
City of National City	$7,575,484
Seller Carryback Loan	$1,250,000
Replacement Reserves	$212,313
Capitalized Interest	$777,365
Deferred Developer Fee	$3,382,966
Tax Credit Equity	$1,636,810

Permanent Financing

Source	Amount
Citibank	$8,865,000
City of National City	$7,575,484
Seller Carryback Loan	$1,500,000
Replacement Reserves	$212,313
Net Operating Income	$777,365
Deferred Developer Fee	$494,631
Tax Credit Equity	$9,071,810
TOTAL	**$28,496,603**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,743,040
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$15,515,800
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,665,952
Qualified Basis (Acquisition):	$15,515,800
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$407,475
Maximum Annual Federal Credit, Acquisition:	$504,264
Total Maximum Annual Federal Credit:	$911,739
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,294,631
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.99500

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:	$25,258,840
Actual Eligible Basis:	$25,258,840
Unadjusted Threshold Basis Limit:	$34,142,756
Total Adjusted Threshold Basis Limit:	$40,971,307

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: 20%

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 Project has two utility structures. Tenants of 116 units are responsible for general electric expenses including wall air conditioning, heating and cooking. For these 116 units, the landlord is responsible for water, sewer, and trash collection. Tenants of 16 quadraplex units are individually metered for gas and are responsible for gas expenses including heating, water heating, and cooking, along with general electric expenses including wall air conditioning. The utility structure will remain the same post-renovation.

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1999-826). 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 01/01/2000 through 12/31/2015. The project buildings had first year credit periods of both 2000 and 2001. The existing regulatory agreement expires 12/31/2031. The existing regulatory agreement income targeting is 27 units at or below 50% AMI, 103 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).

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**
$911,739	**$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.