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

Sierra Vista Apartments, located at 435-436, 439, 441, 443, 445, 447, 449, 451, 453, 457, 459 Autumn Drive in San Marcos, requested and is being recommended for a reservation of $1,643,385 in annual federal tax credits to finance the acquisition and rehabilitation of 190 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 38 and Assembly District 75.

Sierra Vista Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Sierra Vista Apartments (CA-2000-812). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-790

Project Name Sierra Vista Apartments
Site Address: 435-436, 439, 441, 443, 445, 447,
449, 451, 453, 457, 459 Autumn Drive
San Marcos, CA 92069 County: San Diego
Census Tract: 200.28

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,643,385	$0
Recommended:	$1,643,385	$0

Applicant Information
Applicant: SVSM 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): SVM GP LLC
General Partner Type: Nonprofit
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:	12	
Total # of Units:	192	
No. & % of Tax Credit Units:	190	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: 38
Number of Units @ or below 60% of area median income: 152

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

95	2-Bedroom Units
97	3-Bedroom Units
192	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
19	2 Bedrooms	50%	50%	$1,023
76	2 Bedrooms	60%	60%	$1,228
19	3 Bedrooms	50%	50%	$1,181
76	3 Bedrooms	60%	60%	$1,418
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,361

Projected Lifetime Rent Benefit: $108,546,240

Project Cost Summary at Application	
Land and Acquisition	$27,311,000
Construction Costs	$0
Rehabilitation Costs	$11,834,688
Construction Contingency	$1,183,468
Relocation	$288,000
Architectural/Engineering	$197,500
Const. Interest, Perm. Financing	$2,341,165
Legal Fees, Appraisals	$240,000
Reserves	$630,000
Other Costs	$262,072
Developer Fee	$5,911,951
Commercial Costs	$0
Total	**$50,199,844**

Project Financing	
Estimated Total Project Cost:	$50,199,845
Estimated Residential Project Cost:	$50,199,845
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$53
Per Unit Cost:	$261,458
True Cash Per Unit Cost*:	$228,488

Construction Financing

Source	Amount
Citibank	$30,000,000
City of San Marcos - Assumed	$6,850,898
County of San Diego - Assumed	$1,157,907
Seller Carryback Loan	$3,750,000
Net Operating Income	$1,579,461
Existing Reserves	$258,353
Deferred Developer Fee	$5,911,952
Tax Credit Equity	$691,274

Permanent Financing

Source	Amount
Citibank	$18,000,000
City of San Marcos - Assumed	$6,850,898
County of San Diego - Assumed	$1,157,907
Seller Carryback Loan	$3,750,000
Net Operating Income	$1,579,461
Existing Reserves	$258,353
Deferred Developer Fee	$2,580,215
Tax Credit Equity	$16,023,010
TOTAL	**$50,199,844**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$17,664,418
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$27,660,544
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$22,963,743
Qualified Basis (Acquisition):	$27,660,544
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$744,417
Maximum Annual Federal Credit, Acquisition:	$898,968
Total Maximum Annual Federal Credit:	$1,643,385
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,911,951
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.97500

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:	$45,324,962
Actual Eligible Basis:	$45,324,962
Unadjusted Threshold Basis Limit:	$61,890,784
Total Adjusted Threshold Basis Limit:	$74,268,941

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 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 (10 units) meeting the provisions of California Building Code Chapter 11(B) regarding mobility accessibility features. The project must still provide 4% communications accessible units (8 units).

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2000-812). 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 existing regulatory agreement expires 12/31/2030. The existing regulatory agreement income targeting is 38 units at or below 50% AMI and 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 and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement.

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 $146,322. The purchase price of $27,311,000 is less than the appraised value of $30,300,000. The $2,989,000 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 Short Term Work amount of $146,322.

Local Reviewing Agency
The Local Reviewing Agency,The City of San Marcos in its Capacity as the Successor Housing Agency to the former Redevelopment Agency of the 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**
$1,643,385	**$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.