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

Town & Country, located at 4066 Messina Drive in San Diego, requested and is being recommended for a reservation of $1,540,169 in annual federal tax credits to finance the acquisition and rehabilitation 143 units of housing serving tenants with rents affordable to households earning 50-60% of the median income (AMI). The project will be developed by Chelsea Investment Corporation and is located in Senate District 39 and Assembly District 80.

Town & Country is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Mountain View Estates (CA-98-956). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-798

Project Name Town & Country
Site Address: 4066 Messina Drive
San Diego, CA 92113 County: San Diego
Census Tract: 33.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,540,169	$0
Recommended:	$1,540,169	$0

Applicant Information

Applicant:	HDP Town & Country LP
Contact:	Emily Jacobs
Address:	1100 Broadway Street San Diego, CA 92101
Phone:	619-269-4632
Email:	ejacobs@hdpartners.org

General Partner(s) or Principal Owner(s):	HDP Town & Country LLC CIC Town & Country LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Housing Development Partners of San Diego Chelsea Investment Corporation
Developer:	Chelsea Investment Corporation
Investor/Consultant:	The Richman Group Affordable Housing Corporation
Management Agent:	Hyder Property Management Professionals

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	24	
Total # of Units:	145	
No. & % of Tax Credit Units:	143	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	No	
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:	116	

Bond Information

Issuer:	San Diego Housing Commission
Expected Date of Issuance:	November 16, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	San Diego County
TCAC Project Analyst:	Jack Waegell

Unit Mix

79	2-Bedroom Units
66	3-Bedroom Units
145	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
11	2 Bedrooms	60%	60%	$1,228
48	2 Bedrooms	60%	60%	$1,228
20	2 Bedrooms	50%	50%	$1,023
22	3 Bedrooms	60%	58%	$1,363
35	3 Bedrooms	60%	58%	$1,363
7	3 Bedrooms	50%	48%	$1,136
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $28,682,940

Project Cost Summary at Application

Land and Acquisition	$24,130,000
Construction Costs	$0
Rehabilitation Costs	$12,028,510
Construction Contingency	$1,207,851
Relocation	$966,000
Architectural/Engineering	$262,935
Const. Interest, Perm. Financing	$3,508,615
Legal Fees, Appraisals	$195,800
Reserves	$439,227
Other Costs	$548,642
Developer Fee	$5,494,215
Commercial Costs	$0
Total	**$48,781,796**

Project Financing

Estimated Total Project Cost:	$48,781,796
Estimated Residential Project Cost:	$48,781,796
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$83
Per Unit Cost:	$336,426
True Cash Per Unit Cost*:	$222,526

Construction Financing

Source	Amount
Citibank - Tranche A	$14,385,210
Citibank - Tranche B	$12,839,098
Seller Carryback Loan	$13,621,350
Accrued Soft Loan Interest	$817,281
Deferred Fees and Costs	$5,532,482
Tax Credit Equity	$1,586,374

Permanent Financing

Source	Amount
Citibank - Tax Exempt Bonds	$14,385,210
Seller Carryback Loan	$13,621,350
Accrued Soft Loan Interest	$817,281
Developer Fee Contribution	$1,200,001
Deferred Developer Fee	$2,894,215
Tax Credit Equity	$15,863,739
TOTAL	**$48,781,796**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$17,558,316
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$24,564,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$22,825,811
Qualified Basis (Acquisition):	$24,564,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$741,839
Maximum Annual Federal Credit, Acquisition:	$798,330
Total Maximum Annual Federal Credit:	$1,540,169
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,494,215
Investor/Consultant:	The Richman Group Affordable Housing Corporation
Federal Tax Credit Factor:	$1.03000

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:	$42,122,316
Actual Eligible Basis:	$42,122,316
Unadjusted Threshold Basis Limit:	$46,166,752
Total Adjusted Threshold Basis Limit:	$54,476,767

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: 18%

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 is anticipated to be a 100% tax-credit project, but it currently has approximately 19 over-income tenants that do not qualify as tax-credit tenants. The applicant will endeavor to have these tenants voluntarily relocate so that when it places in service as CA-17-798 it will be a 100% tax-credit project. However, if any of these tenants do not relocate, the project's actual applicable fraction will be determined at the placed-in-service review.

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) down to 7% of the units (10 units) that are fully mobility accessible in accordance with California Building Code Chapter 11(B) and which may be located within a band to each side of the community building. However, the project must continue to provide at least 4% of the units with communications features that meet the requirements of Chapter 11(B).

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-89-956). 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 01/01/1999 through 12/31/2013. The existing regulatory agreement expires 12/31/2028. The existing regulatory agreement income targeting is 97 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).

This project is the resyndication of an existing, mixed-income tax-credit project, CA-98-956, which is under a 30-year TCAC extended use agreement that includes 97 tax-credit units and 45 market-rate units. The new reservation of tax credits will result in up to 45 additional tax-credit restricted units and moderately deeper rent/income targeting than the original award of tax credits by restricting 27 units at 50% AMI. The affordable housing restrictions will extend out to approximately year 2072.

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 $292,300. There is a developer fee contribution to the project of $1,200,000 allowing the applicant to receive eligible basis for the entire Short Term Work amount.

Under the existing CA-98-956 TCAC regulatory agreement the existing tenants' rents are currently below the maximum 60% AMI limit. The applicant has agreed to limit the rent increases on the existing tenants that do not have housing choice vouchers. Currently there are 27 households currently paying more than 45% of their income as rent. Rent increases on these households will be held to 5% annually unless the household receives a housing choice voucher. There are also 17 households that are currently paying less than 45% of their income as rent. These tenants will have their increases limited to 5% in 2018 instead of having their rent increased immediately to the maximum limit.

Local Reviewing Agency

The Local Reviewing Agency, the 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
$1,540,169	**$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.