CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 17, 2017

Coronado Terrace, located at 1151 25th Street in San Diego, requested and is being recommended for a reservation of $3,856,662 in annual federal tax credits to finance the acquisition and rehabilitation of 310 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 39 and Assembly District 78.

Coronado Terrace is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Coronado Terrace (CA-2001-849). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-17-742

Project Name Coronado Terrace

Site Address:	1151 25th Street	
	San Diego, CA 92154	County: San Diego
Census Tract:	101.06	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,859,662	$0
Recommended:	$3,859,662	$0

Applicant Information

Applicant:	Eden Coronado Terrace 2, L.P.	
Contact:	Andy Madeira	
Address:	22645 Grand Street	
	Hayward, Ca 94541	
Phone:	510-582-1460	Fax: 510-582-0122
Email:	amadeira@edenhousing.org	

General Partner(s) or Principal Owner(s):	Eden Coronado Terrace GP LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Investment Inc.
Developer:	Eden Housing, Inc.
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Eden Housing Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	17
Total # of Units:	312
No. & % of Tax Credit Units:	310 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (243 units - 78%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 35% of area median income:	32
Number of Units @ or below 50% of area median income:	63
Number of Units @ or below 60% of area median income:	215

Bond Information

Issuer:	Housing Authority of the City of San Diego
Expected Date of Issuance:	October 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	San Diego County
TCAC Project Analyst:	Lucy Vang

Unit Mix

268	2-Bedroom Units
44	3-Bedroom Units
312	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
27	2 Bedrooms	30%	30%	$574
5	3 Bedrooms	30%	29%	$638
54	2 Bedrooms	50%	50%	$956
9	3 Bedrooms	50%	50%	$1,105
185	2 Bedrooms	60%	60%	$1,147
30	3 Bedrooms	60%	58%	$1,275
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $108,441,300

Project Cost Summary at Application

Land and Acquisition	$71,646,749
Construction Costs	$0
Rehabilitation Costs	$22,466,861
Construction Contingency	$3,370,029
Relocation	$500,000
Architectural/Engineering	$455,000
Const. Interest, Perm. Financing	$7,404,096
Legal Fees, Appraisals	$172,000
Reserves	$1,720,360
Other Costs	$1,115,027
Developer Fee	$14,025,514
Commercial Costs	$0
Total	**$122,875,636**

Project Financing

Estimated Total Project Cost:	$122,875,636
Estimated Residential Project Cost:	$122,875,636
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$75
Per Unit Cost:	$393,832
True Cash Per Unit Cost*:	$337,629

Construction Financing

Source	Amount
Citibank	$95,870,000
Citibank Subordinate Debt	$1,560,000
Seller Carryback Loan	$7,789,936
GP Capital - Short Term Repairs	$111,246
Existing Project Reserves	$846,749
Deferred Costs	$3,284,222
Deferred Developer Fee	$9,745,514
Tax Credit Equity	$3,667,969

Permanent Financing

Source	Amount
Citibank Perm Loan	$55,400,000
Citibank Subordinate Debt	$1,560,000
Seller Carryback Loan	$7,789,936
Sponsor Loan	$6,000,000
GP Capital - Short Term Repairs	$111,246
Operation Income	$3,712,002
Existing Project Reserves	$846,749
Deferred Developer Fee	$9,745,514
Tax Credit Equity	$37,710,189
TOTAL	**$122,875,636**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$37,432,990
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$70,095,950
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$48,662,887
Qualified Basis (Acquisition):	$70,095,950
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$1,581,544
Maximum Annual Federal Credit, Acquisition:	$2,278,118
Total Maximum Annual Federal Credit:	$3,859,662
Approved Developer Fee (in Project Cost & Eligible Basis):	$14,025,514
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.97703

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:	$107,528,940
Actual Eligible Basis:	$107,528,940
Unadjusted Threshold Basis Limit:	$91,587,968
Total Adjusted Threshold Basis Limit:	$128,223,155

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%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 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 proposed rent does not include any utility allowance. The owner will pay for all utilities.

In lieu of providing 3 on-site manager units, the project commits to provide 2 on-site manager units and to employ an equivalent of 1 on-site full-time property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC 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-2001-849). 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 01/01/2002 through 12/31/2016. The existing regulatory agreement expires 12/31/2031. The existing regulatory agreement income targeting is 95 units at or below 50% AMI, and 215 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 where the existing regulatory agreement requires service amenities of after school programs and educational classes for a period of 10 years. 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, as the project is committed to continue the after school program and educational classess for a period of 15 years.

This project is the resyndication of an existing tax credit project, CA-2001-849, which is under a 30-year TCAC extended use agreement. The new reservation of tax credits will result in moderately deeper rent/income targeting than the original award of tax credits by targetting 32 out of the 95 units originally restricted at 50% AMI to 30% 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 $78,246. There is a general partner equity contribution of at least $78,246, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency

The Local Reviewing Agency, 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
$3,859,662	**$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

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.