

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 5, 2007

Project Number CA-2007-890

Project Name Colina Park North Apartments
Address: 4333 Dawson Avenue
San Diego, CA 92115 County: San Diego

Applicant Information

Applicant: Hamilton San Diego Apartments, L.P.
Contact Shaoul J. Levy
Address: 201 Wilshire Blvd., Suite A28
Santa Monica, CA 90401
Phone: (310) 395-5200 **Fax:** (310) 917-1101 **email:** Shaoul@sjlevy.com
Sponsors Type: Joint Venture

Bond Information

Issuer: Housing Authority of the City of San Diego
Expected Date of Issuance: October, 2007
Credit Enhancement: Yes—Direct purchase by Citigroup

Eligible Basis

Actual: \$5,346,169
Requested: \$5,346,169
Maximum Permitted: \$18,476,999

Extra Feature Adjustments:
55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$238,098	\$0
Recommended:	\$238,098	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 64
Total # Residential Buildings: 2

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 63 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 7
Number of Units @ or below 60% of area median income: 56

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent</u>
2 Studio units	50%	\$613
12 Studio units	60%	\$736
4 One-bedroom units	50%	\$658
35 One-bedroom units	60%	\$789
1 Two-bedroom unit	50%	\$790
9 Two-bedroom units	60%	\$948
1 Two-bedroom unit	Manager's unit	\$0

The project developer is Hamilton San Diego Apartments, LLC.

The management services will be provided Silver Platinum Realty Management, dba Platinum Realty.

The market analysis was provided by Novogradac & Company, LLP.

The Local Reviewing Agency, the San Diego Housing Commission, has completed a site review of this project and supports this project.

Project Financing

Actual Total Project Cost: \$7,759,036 Per Unit Cost: \$120,454 Construction Cost Per Sq. Ft.: \$21

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Tax-exempt bonds	\$4,500,000	Tax-exempt bonds	\$4,000,000
Deferred Developer Fee	\$801,925	Deferred Developer Fee	\$801,925
Developer Equity	\$2,457,111	Developer Equity	\$635,892
		Investor Equity	\$2,321,219
		TOTAL	\$7,759,036

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$1,552,385
Requested Acquisition Eligible Basis:	\$4,595,709
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$2,018,101
Qualified Acquisition Basis:	\$4,595,709
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$72,652
Maximum Annual Federal Acquisition Credit:	\$165,446
Total Maximum Annual Federal Credit:	\$238,098
Approved Developer Fee:	\$801,925
Tax Credit Factor:	\$.97490

Applicant requests and staff recommends annual federal credits of \$238,098, based on a qualified rehabilitation basis of \$2,018,101, a qualified acquisition basis of \$4,595,709, and a funding shortfall of \$2,321,219. Applicant is cautioned that the project, as presented, currently exceeds TCAC Regulations regarding net cash proceeds during the first three years. Should this condition be present at placed-in-service, TCAC will reduce the maximum allowable tax credits.

Cost Analysis and Line Item Review

The requested eligible basis \$6,148,094 is below TCAC's adjusted threshold basis limit \$18,476,999. The basis limit includes the 120% basis adjustment for a project is not located in a DDA/QCT and which maintains more than 50% of the units as tax-credit units and which has the 55-year use/affordability restriction. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: 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.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

\$238,098 Federal/Annual

\$0 State/Total

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.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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

Project Analyst: G. Boyd