

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

Project Number CA-2007-899

Project Name Parkside Terrace
Address: 505 13th Avenue
San Diego, CA 92101
County: San Diego

Applicant Information

Applicant: Wakeland Housing and Development Corporation
Contact Kenneth Sauder
Address: 1230 Columbia Street, #950
San Diego, CA 92101
Phone: (619) 235-2296
Sponsors Type: Nonprofit
Fax: (619) 235-5386

Bond Information

Issuer: San Diego Housing Authority
Expected Date of Issuance: March 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$24,897,567
Requested: \$24,897,567
Maximum Permitted: \$26,831,484

Extra Feature Adjustments:

Parking Beneath Residential Units: 7%
55-Year Use/Rent Restriction Adjustment: 120%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
Local Development Impact Fees:

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,144,782	\$0
Recommended:	\$1,144,782	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 77
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 76 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 12
Number of Units @ or below 60% of area median income: 64

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 Studios	50%	\$608
4 One-Bedrooms	50%	\$658
2 Two-Bedrooms	50%	\$781
1 Three-Bedroom	50%	\$878
20 Studios	60%	\$729
14 One-Bedrooms	60%	\$790
26 Two-Bedrooms	60%	\$938
4 Three-Bedrooms	60%	\$1,053
1 Two-Bedroom	Manager's Unit	\$1,264

The general partner(s) or principal owner(s) are Wakeland Parkside, LLC.

The project developer is Wakeland Housing and Development Corporation.

The management services will be provided by John Stewart Company.

The market analysis was provided by Goldrush Realty Advisors, Inc.

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.

Project Financing

Estimated Total Project Cost: \$30,136,658 Per Unit Cost: \$391,385 Construction Cost Per Sq. Foot: \$257

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo	\$17,114,159	Wells Fargo	\$4,266,582
RDA	\$10,717,000	RDA	\$13,800,000
		Deferred Developer Fee	\$280,000
		Investor Equity	\$11,790,076
		TOTAL	\$30,136,658

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,897,567
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$31,946,068
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,144,782
Approved Developer Fee:	\$1,325,000
Tax Credit Factor:	\$1.0299

Applicant requests and staff recommends annual federal credits of \$1,144,782 based on a qualified basis of \$31,946,068 and a funding shortfall of \$11,790,076.

Cost Analysis and Line Item Review

The requested eligible basis \$24,897,567 is below TCAC's adjusted threshold basis limit \$26,831,484. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, projects that are required to provide parking beneath the residential units, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, for exceeding Title 24 by at least 15%, using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used, and using CRI Green Label Plus Carpet or no carpet in all bedrooms. 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:

Federal/Annual	State/Total
\$1,144,782	\$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.

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: The applicant/owner is required to provide the tenants with **after school programs and educational classes (such as English as a second language classes, computer training, etc.)** for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Stephenie Alstrom