

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
February 27, 2008

Project Number CA-2008-801

Project Name Ten Fifty B Apartments
Address: 1050 B Street
San Diego, CA 92101

County: San Diego

Applicant Information

Applicant: Ten Fifty B Street, L.P.
Contact James Silverwood
Address: 13520 Evening Creek Drive North, Suite 360
San Diego, CA 92128
Phone: (858) 679-2828
Sponsors Type: For Profit

Fax: (858) 679-9076

Bond Information

Issuer: Housing Authority of the City of San Diego
Expected Date of Issuance: March 15, 2008
Credit Enhancement: None

Eligible Basis

Actual: \$40,824,820
Requested: \$39,198,825
Maximum Permitted: \$39,198,830

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%
Seismic Upgrading of Existing Structures and/or Toxic or Other Environmental Mitigation: Up to 15%
Distributive Energy Technologies and/or Renewable Energy Sources: Up to 5%
Local Development Impact Fees:

Tax Credit Amounts

	Federal/Annual	State/Total
Requested:	\$1,834,505	\$0
Recommended:	\$1,834,505	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 111
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 109 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 35
Number of Units @ or below 60% of area median income: 74

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 Studios	50%	\$608
24 Studios	60%	\$729
15 One-Bedroom	50%	\$658
34 One-Bedroom	60%	\$789
3 Two-Bedroom	50%	\$781
3 Two-Bedroom	60%	\$938
6 Three-Bedroom	50%	\$903
13 Three-Bedroom	60%	\$1,083
1 Three-Bedroom	Manager's Unit	\$0
1 One-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) is Affirmed Housing Group.

The project developer is Affirmed Housing Group.

The management services will be provided by Solar Enterprises, Inc.

The market analysis was provided by Laurin & Associates.

The Local Reviewing Agency, San Diego Housing Commission, has reviewed this project and supports the project.

Project Financing

Estimated Total Project Cost: \$44,326,330 Per Unit Cost: \$399,336 Construction Cost Per Sq. Foot: \$343

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank	\$24,000,000	US Bank	\$5,871,194
Center City Development Corp.	\$17,000,000	Center City Development Corp.	\$19,820,000
Investor Equity	\$3,326,330	Boston Capitol	\$1,200,000
		Investor Equity	\$17,435,136
		TOTAL	\$44,326,330

Determination of Credit Amount(s)

Requested Eligible Basis:	\$39,198,825
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$50,958,473
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,834,505
Approved Developer Fee:	\$2,500,000
Tax Credit Factor:	\$.9500

Applicant requests and staff recommends annual federal credits of \$1,834,505 based on a qualified basis of \$50,958,473 and a funding shortfall of \$17,435,136.

Cost Analysis and Line Item Review

The requested eligible basis \$39,198,825 is below TCAC’s adjusted threshold basis limit \$39,198,830. 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, projects requiring environmental mitigation as certified by the project architect, projects that include distributive energy technologies such as micro turbines and/or renewable energy sources such as solar, 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 most fees to be within TCAC’s underwriting guidelines and TCAC limitation. The applicant’s estimate of contractor profit, overhead, and general requirement costs and basis exceed the limitation set by regulation. The applicant is cautioned that costs, fees, or basis in excess of the limits set by regulations will not be allowed at final review.

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
\$1,834,505	\$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 not providing services.

Project Analyst: Stephenie Alstrom