

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 28, 2010**  
**REVISED**

**Project Number** CA-2010-821

**Project Name** Georgia Street Apartments  
 Site Address: 4105 Georgia Street  
 San Diego, CA 92104 County: San Diego  
 Census Tract: 9.000

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
|---------------------------|-----------------------|--------------------|
| Requested:                | \$402,943             | \$0                |
| Recommended:              | \$402,943             | \$0                |

**Applicant Information**

Applicant: Georgia Street, LP  
 Contact: Jim Silverwood  
 Address: 13520 Evening Creek Drive N, Suite 360  
 San Diego CA 92128  
 Phone: (858) 679-2828 Fax: (858) 679-9076  
 Email: Jim@AffirmedHousing.com

General partner(s) or principal owner(s): Affirmed Housing Group, Inc.  
 General Partner Type: For Profit  
 Developer: Affirmed Housing Group, Inc.  
 Investor/Consultant: Union Bank  
 Management Agent: Solari Enterprises, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 31  
 No. & % of Tax Credit Units: 30 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax Exempt/Home/CDBG  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 13  
 Number of Units @ or below 60% of area median income: 17

**Information**

Housing Type: Large Family  
 Geographic Area: San Diego  
 TCAC Project Analyst: DC Navarrette

**Bond Information**

Issuer: San Diego Housing Commission  
 Expected Date of Issuance: 11/15/2010  
 Credit Enhancement: N/A

**Unit Mix**

3 1-Bedroom Units  
 4 2-Bedroom Units  
24 3-Bedroom Units  
 31 Total Units

| <u>Unit Type &amp; Number</u> | <u>2010 Rents Targeted<br/>% of Area Median<br/>Income</u> | <u>2010 Rents Actual<br/>% of Area Median<br/>Income</u> | <u>Proposed Rent<br/>(including<br/>utilities)</u> |
|-------------------------------|--|--|--|
| 1 1 Bedroom                   | 50%  | 50%  | \$736  |
| 2 1 Bedroom                   | 60%  | 60%  | \$883  |
| 2 2 Bedrooms                  | 50%  | 50%  | \$883  |
| 1 2 Bedrooms                  | 60%  | 60%  | \$1,060  |
| 10 3 Bedrooms                 | 50%  | 50%  | \$1,020  |
| 14 3 Bedrooms                 | 60%  | 60%  | \$1,224  |
| 1 2 Bedrooms                  | Manager's Unit   | Manager's Unit   | \$1,400  |

**Project Financing**

Estimated Total Project Cost: \$10,865,350      Construction Cost Per Square Foot: \$103  
 Per Unit Cost: \$350,495

| <b>Construction Financing</b> |               | <b>Permanent Financing</b>   |                     |
|-------------------------------|---------------|------------------------------|---------------------|
| <u>Source</u>                 | <u>Amount</u> | <u>Source</u>                | <u>Amount</u>       |
| U.S. Bank                     | \$5,300,000   | U.S. Bank / Tax Exempt Bonds | \$2,635,000         |
|                               |               | SDHA - NSP, HOME, CDBG       | \$5,110,753         |
|                               |               | Deferred Developer Fee       | \$298,999           |
|                               |               | Tax Credit Equity            | \$2,820,598         |
|                               |               | <b>TOTAL</b>                 | <b>\$10,865,350</b> |

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$9,116,350  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$11,851,255  
 Applicable Rate: 3.40%  
 Total Maximum Annual Federal Credit: \$402,943  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,100,000  
 Investor/Consultant: Union Bank  
 Federal Tax Credit Factor: \$0.70000

Per Regulation Section 10322(i)(4)(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:  | \$9,116,350  |
| Actual Eligible Basis:                | \$9,116,350  |
| Unadjusted Threshold Basis Limit:     | \$9,048,743  |
| Total Adjusted Threshold Basis Limit: | \$15,432,863 |

**Adjustments to Basis Limit:**

|   |     |
|---|-----|
| Required to Pay Prevailing Wages  |     |
| Parking Beneath Residential Units   |     |
| Utilizing New Energy Technologies   |     |
| 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: | 43% |

**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 meet 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 3.40% 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:** None

**Local Reviewing Agency:**

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.

**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:

|                                   |                                |
|-----------------------------------|--------------------------------|
| <b>Federal Tax Credits/Annual</b> | <b>State Tax Credits/Total</b> |
| <b>\$402,943</b>                  | <b>\$0</b>                     |

**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 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 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 provide the tenants with high-speed internet free of charge 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.