

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 Second Round
September 24, 2014

Project Number CA-14-105

Project Name Atmosphere
 Site Address: 1453 Fourth Avenue
 San Diego, CA 92101 County: San Diego
 Census Tract: 56.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,881,282	\$5,638,207
Recommended:	\$1,881,282	\$5,638,207

Applicant Information

Applicant: Wakeland Housing and Development Corporation
 Contact: Kenneth L. Sauder
 Address: 1230 Columbia Street, Suite 950
 San Diego, CA 92101
 Phone: 619-677-2320 Fax: 619-235-5386
 Email: ksauder@wakelandhdc.com

General Partner(s) / Principal Owner(s):	Wakeland Atmosphere, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Wakeland Housing and Development Corporation
Developer:	Wakeland Housing and Development Corporation
Investor / Consultant:	US Bank
Management Agent(s):	FPI Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 100
 No. & % of Tax Credit Units: 99 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Project-Based Section 8 Vouchers (51 Units - 51%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	30	30 %
45% AMI:	22	20 %
50% AMI:	26	25 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs / Large Family
 Type of Special Needs: Homeless/formerly homeless / Physical, mental, development disabilities
 % of Special Need Units: 51 units 51%
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

41 SRO/Studio Units
 12 1-Bedroom Units
 16 2-Bedroom Units
31 3-Bedroom Units
 100 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
22 SRO/Studio	30%	30%	\$414
2 1 Bedroom	30%	30%	\$444
2 2 Bedrooms	30%	30%	\$533
4 3 Bedrooms	30%	30%	\$615
2 SRO/Studio	45%	45%	\$622
4 1 Bedroom	45%	45%	\$666
7 2 Bedrooms	45%	45%	\$799
9 3 Bedrooms	45%	45%	\$923
17 SRO/Studio	50%	50%	\$691
4 1 Bedroom	50%	50%	\$740
4 2 Bedrooms	50%	50%	\$888
1 3 Bedrooms	50%	50%	\$1,026
2 1 Bedroom	60%	60%	\$888
2 2 Bedrooms	60%	60%	\$1,066
17 3 Bedrooms	60%	60%	\$1,231
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$40,242,520
Estimated Residential Project Cost:	\$40,242,520

Residential

Construction Cost Per Square Foot:	\$264
Per Unit Cost:	\$402,425

Construction Financing

Source	Amount
US Bank	\$21,124,514
San Diego Housing Commission	\$3,000,000
CalHFA MHSA	\$3,487,066
HCD IIG	\$3,127,165
City of San Diego - Land Donation	\$3,682,927
City of San Diego - Fee Waiver	\$210,000
General Partner Equity	\$200,000
Deferred Costs	\$938,956
Tax Credit Equity	\$4,471,892

Permanent Financing

Source	Amount
US Bank Tranche A	\$996,300
US Bank Tranche B	\$2,060,000
San Diego Housing Commission	\$3,000,000
CalHFA MHSA	\$3,487,066
HCD IIG	\$3,127,165
City of San Diego - Land Donation	\$3,682,927
City of San Diego - Fee Waiver	\$210,000
General Partner Equity	\$200,000
Tax Credit Equity	\$23,479,062
TOTAL	\$40,242,520

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,794,024
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,432,232
Applicable Rate:	7.70%
Maximum Annual Federal Credit:	\$1,881,282
Total State Credit:	\$5,638,207
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	US Bank
Federal Tax Credit Factor:	\$1.05325
State Tax Credit Factor:	\$0.64994

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:	\$18,794,024
Actual Eligible Basis:	\$35,337,313
Unadjusted Threshold Basis Limit:	\$23,814,814
Total Adjusted Threshold Basis Limit:	\$33,379,244

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	61.431%

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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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: None.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, the 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
\$1,881,282	\$5,638,207

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1/2 mile of a public elementary school	2	2	2
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	0
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY/SPECIAL NEEDS HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE/1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, minimum 84 hours/year	7	7	7
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Silver	3	3	3
Energy efficiency beyond CA Building Code Title 24 requirements: 32.5%	3	3	2
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.