

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 15, 2017**

Park & Market, located at Northwest corner of Park Blvd. and Market St. in San Diego, requested and is being recommended for a reservation of \$1,850,264 in annual federal tax credits to finance the new construction of 85 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Holland Development and will be located in Senate District 39 and Assembly District 78.

**Project Number** CA-17-719

**Project Name** Park & Market  
 Site Address: Northwest corner of Park Blvd and Market Street  
 San Diego, CA 92101 County: San Diego  
 Census Tract: 52

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,850,264	\$0
Recommended:	\$1,850,264	\$0

**Applicant Information**

Applicant: Park & Market Development Partners, LP  
 Contact: Philip Williams  
 Address: 5000 East Spring Street, Suite 500  
 Long Beach, CA 90815  
 Phone: (562) 270-9170 Fax: (562) 372-3220  
 Email: pwilliams@hollandpartnergroup.com

General Partner(s) or Principal Owner(s): NASH - Holland Park & Market GP, LLC  
 Affordable Housing Access  
 General Partner Type: Joint Venture  
 Parent Company(ies): Holland Partner Group  
 Affordable Housing Access  
 Developer: Holland Development  
 Investor/Consultant: Bank of Tokyo  
 Management Agent: Holland Partner Group  
 Solari Enterprises

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 86  
 No. & % of Tax Credit Units: 85 100.00%  
 Federal Set-Aside Elected: 20%/50%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 85

**Bond Information**

Issuer: Housing Authority of the City of San Diego  
 Expected Date of Issuance: June 30, 2017  
 Credit Enhancement: Bank of Tokyo

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Alex Ninh

**Unit Mix**

20 SRO/Studio Units  
 31 1-Bedroom Units  
 26 2-Bedroom Units  
 9 3-Bedroom Units  


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 86 Total Units

<b>Unit Type &amp; Number</b>	<b>2016 Rents Targeted % of Area Median Income</b>	<b>2016 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
20 SRO/Studio	50%	50%	\$743
31 1 Bedroom	50%	50%	\$796
26 2 Bedrooms	50%	50%	\$956
8 3 Bedrooms	50%	48%	\$1,063
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$100,643,400

**Project Cost Summary at Application**

Land and Acquisition	\$1,830,375
Construction Costs	\$34,910,345
Rehabilitation Costs	\$0
Construction Contingency	\$342,160
Relocation	\$0
Architectural/Engineering	\$1,250,000
Const. Interest, Perm. Financing	\$3,244,888
Legal Fees, Appraisals	\$869,156
Reserves	\$394,968
Other Costs	\$2,945,809
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$48,287,701</b>

**Project Financing**

Estimated Total Project Cost:	\$48,287,701
Estimated Residential Project Cost:	\$48,287,701
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$466
Per Unit Cost:	\$561,485
True Cash Per Unit Cost*:	\$561,485

**Construction Financing**

Source	Amount
HA of City of San Diego	\$20,235,659
NASH/Holland Equity	\$28,052,042

**Permanent Financing**

Source	Amount
HA of City of San Diego	\$20,235,659
NASH/Holland Equity	\$9,549,402
Tax Credit Equity	\$18,502,640
<b>TOTAL</b>	<b>\$48,287,701</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$44,201,233
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$57,461,603
Applicable Rate:	3.22%
Total Maximum Annual Federal Credit:	\$1,850,264
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Bank of Tokyo
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10322(h)(9)(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:	\$44,201,233
Actual Eligible Basis:	\$44,201,233
Unadjusted Threshold Basis Limit:	\$21,913,978
Total Adjusted Threshold Basis Limit:	\$52,986,213

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

**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 3.22% of the qualified basis. 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.

**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>\$1,850,264</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 a reservation 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:** None.