

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2017 First Round
June 7, 2017

Reverend Glenn Allison Apartments, located at 5020 Federal Boulevard in San Diego, requested and is being recommended for a reservation of \$697,105 in annual federal tax credits to finance the acquisition and rehabilitation of 57 units of housing serving special needs tenants with rents affordable to households earning 25-60% of area median income (AMI). The project will be developed by Wakeland Housing and Development Corporation and is located in Senate District 40 and Assembly District 80.

The project will be receiving rental assistance in the form of HUD Continuum of Care sponsor-based rental assistance. The project financing includes state funding from the MHP program of HCD.

Project Number CA-17-059

Project Name Reverend Glenn Allison Apartments
Site Address: 5020 Federal Boulevard
San Diego, CA 92102 County: San Diego
Census Tract: 34.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$697,105	\$0
Recommended:	\$697,105	\$0

Applicant Information

Applicant: Wakeland Housing and Development Corporation
Contact: Peter Armstrong
Address: 1230 Columbia Street, Suite 950
San Diego, CA 92101
Phone: (619) 677-2300 **Fax:** 619-235-5387
Email: parmstrong@wakelandhdc.com

General Partner(s) / Principal Owner(s): Wakeland Housing and Development Corporation
The Association for Community Housing Solutions

General Partner Type: Nonprofit

Parent Company(ies): Wakeland Housing and Development Corporation
The Association for Community Housing Solutions,
dba Housing Innovation Partners LLC

Developer: Wakeland Housing and Development Corporation

Investor/Consultant: California Housing Partnership Corporation

Management Agent(s): ConAM Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 58
 No. & % of Tax Credit Units: 57 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Continuum of Care sponsor-based rental assistance 46 units (80%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 34.56%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 43 75 %
 50% AMI: 10 15 %

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless or formerly homeless
 % of Special Need Units: 41 units 71%
 Geographic Area: San Diego County
 TCAC Project Analyst: Zhuo Chen

Unit Mix

12 SRO/Studio Units
 32 1-Bedroom Units
 14 2-Bedroom Units

 58 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 SRO/Studio	25%	25%	\$371
29 1 Bedroom	30%	30%	\$478
2 2 Bedrooms	30%	30%	\$573
3 1 Bedroom	50%	50%	\$796
7 2 Bedrooms	50%	50%	\$956
4 2 Bedrooms	60%	60%	\$1,147
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$25,084,620

Project Cost Summary at Application

Land and Acquisition	\$9,050,855
Construction Costs	\$0
Rehabilitation Costs	\$3,147,674
Construction Contingency	\$314,767
Relocation	\$290,000
Architectural/Engineering	\$250,000
Const. Interest, Perm. Financing	\$535,229
Legal Fees, Appraisals	\$107,800
Reserves	\$517,594
Other Costs	\$549,138
Developer Fee	\$1,608,640
Commercial Costs	\$0
Total	\$16,371,697

Project Financing

Estimated Total Project Cost:	\$16,371,697
Estimated Residential Project Cost:	\$16,371,697
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$74
Per Unit Cost:	\$282,271
True Cash Per Unit Cost*:	\$282,271

Construction Financing

Source	Amount
Wells Fargo	\$4,637,741
GHI ¹ Loan (assumed)	\$7,885,745
GHI ¹ Accrued Interest (assumed)	\$211,462
GHI ¹ Capitalized Rent Subsidy (assumed)	\$307,500
LIWP ² GP Loan	\$468,972
Existing Reserves	\$1,006,178
Deferred Costs	\$1,321,915
Tax Credit Equity	\$532,184

Permanent Financing

Source	Amount
GHI ¹ Loan (assumed)	\$7,885,745
GHI ¹ Accrued Interest (assumed)	\$211,462
GHI ¹ Capitalized Rent Subsidy	\$307,500
LIWP ² GP Loan	\$468,972
Existing Reserves	\$1,006,178
Tax Credit Equity	\$6,491,840
TOTAL	\$16,371,697

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

¹GHI: HCD MHP Governor's Homeless Initiative

²LIWP: Low Income Weatherization Program

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,638,830
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,156,737
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,330,479
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$1,156,737
Applicable Rate:	3.23%
Maximum Annual Federal Credit, Rehabilitation:	\$659,743
Maximum Annual Federal Credit, Acquisition:	\$37,362
Total Maximum Annual Federal Credit:	\$697,105
Approved Developer Fee in Project Cost:	\$1,608,640
Approved Developer Fee in Eligible Basis:	\$1,026,546
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.93126

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:	\$6,795,567
Actual Eligible Basis:	\$11,750,817
Unadjusted Threshold Basis Limit:	\$12,426,628
Total Adjusted Threshold Basis Limit:	\$12,484,673

Adjustments to Basis Limit

Environmental Mitigation

Tie-Breaker Information

First:	Special Needs
Final:	62.119%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

This reservation is based on a developer fee in cost of \$1,608,640 and in basis of \$1,026,546. In the event that HCD ultimately allows a lesser developer fee in cost and/or basis, TCAC shall consult with HCD and reduce the tax credit award accordingly using the information provided in the initial application except for a revised HCD loan amount.

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 City of 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
\$697,105	\$0

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 fifteen 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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.