

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 18, 2017

Fairmount Family Housing, located at 6121 Fairmount Avenue in San Diego, requested and is being recommended for a reservation of \$1,046,535 in annual federal tax credits to finance the new construction of 79 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and will be located in Senate District 39 and Assembly District 79.

The project will be receiving rental assistance in the form of HUD VASH Project-based Vouchers.

Project Number CA-17-784

Project Name Fairmount Family Housing
 Site Address: 6121 Fairmount Avenue
 San Diego, CA 92120 County: San Diego
 Census Tract: 96.03

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,046,535	\$0
Recommended:	\$1,046,535	\$0

Applicant Information

Applicant: Fairmount Family Housing, L.P.
 Contact: John Wurster
 Address: 13520 Evening Creek Drive N Suite 160
 San Diego, CA 92128
 Phone: (858) 386-5170 Fax: (858) 679-9076
 Email: john@affirmedhousing.com

General Partner(s) or Principal Owner(s): Affirmed Housing Group, Inc.
 NEXUS For Affordable Housing, Inc.

General Partner Type: Joint Venture

Parent Company(ies): Affirmed Housing Group, Inc.
 NEXUS For Affordable Housing, Inc.

Developer: Affirmed Housing Group, Inc.

Investor/Consultant: Boston Capital

Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD VASH Project-based Vouchers (8 Units -10%)
 HCD MHP Funding: No
 Utility Allowance: CUAC
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 2
 Number of Units @ or below 50% of area median income: 10
 Number of Units @ or below 60% of area median income: 67

Bond Information

Issuer: San Diego Housing Commission
 Expected Date of Issuance: November 14, 2017
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: Tiffani Negrete

Unit Mix

32 1-Bedroom Units
 24 2-Bedroom Units
 24 3-Bedroom Units

 80 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4 1 Bedroom	50%	50%	\$853
28 1 Bedroom	60%	60%	\$1,023
1 2 Bedrooms	30%	30%	\$614
2 2 Bedrooms	40%	40%	\$819
1 2 Bedrooms	50%	50%	\$1,023
19 2 Bedrooms	60%	60%	\$1,228
1 3 Bedrooms	30%	30%	\$709
2 3 Bedrooms	40%	40%	\$945
1 3 Bedrooms	50%	50%	\$1,181
20 3 Bedrooms	60%	60%	\$1,418
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$35,772,000

Project Cost Summary at Application

Land and Acquisition	\$3,990,000
Construction Costs	\$16,587,500
Rehabilitation Costs	\$0
Construction Contingency	\$835,000
Relocation	\$100,000
Architectural/Engineering	\$1,050,000
Const. Interest, Perm. Financing	\$1,279,000
Legal Fees, Appraisals	\$137,000
Reserves	\$252,000
Other Costs	\$2,539,500
Developer Fee	\$3,240,000
Commercial Costs	\$82,500
Total	\$30,092,500

Project Financing

Estimated Total Project Cost:	\$30,092,500
Estimated Residential Project Cost:	\$30,010,000
Estimated Commercial Project Cost:	\$82,500

Residential

Construction Cost Per Square Foot:	\$201
Per Unit Cost:	\$375,125
True Cash Per Unit Cost*:	\$355,928

Construction Financing

Source	Amount
JP Morgan Chase	\$22,000,000
San Diego Housing Commission	\$2,840,550
Deferred Costs	\$2,791,285
Tax Credit Equity	\$2,460,665

Permanent Financing

Source	Amount
CCRC**	\$9,241,342
San Diego Housing Commission	\$9,468,500
Deferred Developer Fee	\$1,540,000
Tax Credit Equity	\$9,842,658
TOTAL	\$30,092,500

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

**California Community Reinvestment Corporation

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,846,500
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$32,300,450
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,046,535
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,240,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.94050

Per Regulation Section 10327(c)(6), 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:	\$24,846,500
Actual Eligible Basis:	\$24,846,500
Unadjusted Threshold Basis Limit:	\$22,944,448
Total Adjusted Threshold Basis Limit:	\$31,956,116

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 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: 12%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 4%

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 3.25% 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, the City of San Diego, 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
\$1,046,535	\$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.

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.