

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2009 Single Round**

**September 10, 2009**

**Project Number** CA-2009-092

**Project Name** 15<sup>th</sup> and Commercial  
**Site Address:** 1501 Imperial Avenue  
San Diego, CA 92101  
**Census Tract:** 0051.00

**County:** San Diego

**Applicant Information**

**Applicant:** S.V.D.P. Management, Inc. and Chelsea Investment Corporation  
**Contact:** Jordan Penn  
**Address:** 5993 Avenida Encinas, Suite 101  
Carlsbad, CA 92008  
**Phone:** (760) 456-6000 **Fax:** (760) 456-6001  
**Email:** jpenn@chelseainvestco.com  
**General Partner Type:** Joint Venture

**Information**

**Set-Aside:** SRO – Single Room Occupancy  
**Housing Type:** Single Room Occupancy  
**Geographic Area:** San Diego County

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** CDBG  
**Total # of Units:** 140  
**Total # Residential Buildings:** 1  
**Federal Set-Aside Elected:** 20%/50%  
**% & No. of Tax Credit Units:** 100% - 139 units  
**Average Affordability of Special Needs Units or SRO Project:** 13.3497%

**Eligible Basis**

**Requested:** \$28,506,814  
**Actual:** \$33,993,917  
**Maximum Permitted:** \$28,506,814

**Adjustments to Threshold Basis Limit:**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:
  - Projects exceeding Title 24 by at least 15%
  - Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
  - Projects recycling at least 75% of the construction and demolition waste (measured by either weight or volume)
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency/Credit Reduction/Public Funds</b> Maximum 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Public Funds	20	44	20
<b>Owner / Management Characteristics</b> Maximum 9 points	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b>Housing Needs</b> Maximum 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b> Maximum 15 points	<b>15</b>	<b>15</b>	<b>15</b>
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input type="checkbox"/> Special Needs or SRO project within ½ mile of a facility operated to serve population	3	3	0
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of a pharmacy	1	1	1
<b>Service Amenities</b> Maximum 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<input checked="" type="checkbox"/> Direct client services available for Senior, SRO, or Special Needs projects	5	5	5
<b>Sustainable Building Methods</b> Maximum 8 points	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> LEED for Homes/Green Communities/GreenPoint Rated Multifamily Guidelines	8	8	8
<b>Lowest Income</b> Maximum 52 points	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b> Maximum 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<b>State Credit Substitution</b> Maximum 2 points	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>146</b>	<b>146</b>	<b>146</b>

**Tie-Breaker Information**

First: Housing Type **SRO**  
 Second: Calculated Ratio per Regulation 10325(c)(10) **71.620%**

<b>Unit Type &amp; Number</b>	<b>2009 Rents % of Area Median Income</b> (rounded)	<b>Proposed Rent</b> (including utilities)
25 SRO/Studio	18%	\$257
10 SRO/Studio	30%	\$433
75 SRO/Studio	1%	\$4
14 SRO/Studio	35%	\$505
15 SRO/Studio	40%	\$578
1 One-bedroom Unit	Manager's Unit	\$0

The general partner(s) or principal owner(s) are S.V.D.P. Management, Inc. and Chelsea Investment Corporation.

The project developer is S.V.D.P. Management, Inc.

The management agent is CIC Management, Inc.

The market analyst is Novogradac & Company, LLP.

The Local Reviewing Agency, San Diego Housing Commission, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$58,727,607      Estimated Total Commercial/Retail Cost: \$19,163,055  
 Estimated Total Residential Cost: \$39,564,552      Per Unit Cost: \$282,604      Construction Cost Per Sq. Foot: \$678\*

\* This is a single room occupancy project with 37,875 square feet of tax-credit residential space, 31,038 square feet of common space/manager’s unit/service space, and 11,743 square feet of subterranean parking. The overall construction cost per square foot figure is \$318 taking into consideration the additional square footage.

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
First 5 Commission of SD County	\$6,968,025	First 5 Commission of SD County	\$6,968,025
US Bank	\$17,109,622	TOD	\$6,637,597
CDBG	\$291,279	CDBG	\$291,279
MHSA	\$2,356,652	MHSA	\$2,356,652
EHAP – CD Loan	\$1,000,000	EHAP – CD Loan	\$1,000,000
CCDC – RDA	\$6,930,598	CCDC – RDA	\$7,300,000
San Diego Housing Commission	\$3,148,467	San Diego Housing Commission	\$3,500,000
Infill Infrastructure/CalReuse	\$3,671,527	Infill Infrastructure/CalReuse	\$3,671,527
SVDP* Land Donation	\$5,500,000	SVDP* Land Donation	\$5,500,000
GP Equity	\$1,500,000	GP Equity	\$1,500,000
Deferred Developer Fee	\$2,259,436	Deferred Developer Fee	\$2,527
Investor Equity	\$7,992,000	Investor Equity	\$20,000,000
		<b>TOTAL</b>	<b>\$58,727,607</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$28,506,814  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100%  
 Qualified Basis: \$37,058,858  
 Applicable Rate: 9.00%  
 Maximum Annual Federal Credit: \$3,335,297  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,400,000  
 Investor: Richman Group  
 Federal Tax Credit Factor: \$.80

### **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 9.00% of the qualified basis. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information:** Based on the project size staff recommends the developer adds a second manager's unit. The project applicant provided clarification to this request stating there will be one property manager for the studio units while the 75 transitional units will be monitored by two caseworkers during the day and one overnight. The caseworkers are provided by St. Vincent de Paul Village, the general service provider for the units. The 75 units shown at \$4 rent are transitional units fully subsidized by St. Vincent de Paul Village which was verified with a commitment letter from St. Vincent de Paul Village.

**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.

**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>
\$2,500,000	\$0

### **Standard Conditions**

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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)(P) at project completion.

#### **Additional Conditions**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst:** DC Navarrette