

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2011

Project Number CA-2011-825

Project Name Florida Street Apartments
Site Address: 3795 Florida Street
San Diego, CA 92104 County: San Diego
Census Tract: 8.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,040,322	\$0
Recommended:	\$1,040,322	\$0

Applicant Information

Applicant: Florida Street Housing Associates, L.P.
Contact: Anne Wilson
Address: 1820 S. Escondido Blvd., Suite 101
Escondido, CA 92025
Phone: (619) 450-8711 Fax: (619) 282-4145
Email: awilson@chworks.org

General partner(s) or principal owner(s): Another Nurturing Neighborhood, LLC
Community HousingWorks
General Partner Type: Nonprofit
Developer: Community HousingWorks
Investor/Consultant: California Housing Partnership Corporation
Management Agent: ConAm Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 83
No. & % of Tax Credit Units: 82 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 9
Number of Units @ or below 60% of area median income: 73

Bond Information

Issuer: San Diego Housing Commission
Expected Date of Issuance: 06/30/11
Credit Enhancement: N/A

Information

Housing Type: Large Family
Geographic Area: San Diego County
TCAC Project Analyst: DC Navarrette

Unit Mix

24	1-Bedroom Units
33	2-Bedroom Units
<u>26</u>	<u>3-Bedroom Units</u>
83	Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
21 1 Bedroom	60%	60%	\$883
3 1 Bedroom	50%	50%	\$736
29 2 Bedrooms	60%	58%	\$1,019
3 2 Bedrooms	50%	48%	\$849
23 3 Bedrooms	60%	56%	\$1,133
3 3 Bedrooms	50%	46%	\$944
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$30,663,011
Estimated Residential Project Cost:	\$30,663,011

Residential

Construction Cost Per Square Foot:	\$115
Per Unit Cost:	\$369,434

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$16,833,000
San Diego RDA	\$2,764,763
San Diego RDA Accrued Interest	\$70,000
San Diego Housing Commission	\$8,087,000
SDHC Accrued Interest	\$204,811
NOI During Stabilization	\$200,000
Deferred Construction Costs	\$541,737
General Partner Equity	\$1,100,100
Tax Credit Equity	\$861,600

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$5,854,000
San Diego RDA	\$5,600,000
San Diego RDA Accrued Interest	\$70,000
San Diego Housing Commission	\$8,087,000
SDHC Accrued Interest	\$204,811
NOI During Stabilization	\$200,000
General Partner Equity	\$1,100,100
Tax Credit Equity	\$9,547,100
TOTAL	\$30,663,011

Determination of Credit Amount(s)

Requested Eligible Basis:	\$23,536,696
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$30,597,705
Applicable Rate:	3.40%
Maximum Annual Federal Credit:	\$1,040,322
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.91771

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:	\$23,536,696
Actual Eligible Basis:	\$23,536,696
Unadjusted Threshold Basis Limit:	\$20,958,008
Total Adjusted Threshold Basis Limit:	\$27,350,414

Adjustments to Basis Limit:

- Parking Beneath Residential Units
- 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: 10%

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 3.40% 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,040,322	\$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 an 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.

Additional Conditions: The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

1. LEED Certified
2. Flow Restrictors
3. No-VOC interior paint, carpet/rug institute Green-label, low-VOC carpeting and pad and low-VOC carpeting and pad and low-VOC adhesive (25 grams per liter or less)
4. Bathroom fans in all bathrooms