

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 10, 2012**

Project Number CA-12-873

Project Name COMM22 Family Housing
Site Address: Southeast Corner of Commercial Street and 22nd Street
San Diego, CA 92113 County: San Diego
Census Tract: 49.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,875,963	\$0
Recommended:	\$1,875,963	\$0

Applicant Information

Applicant: BRIDGE Housing Corporation
Contact: Jeff Williams
Address: 2202 30th Street
San Diego, CA 92104
Phone: 619-231-6300 **Fax:** 619-231-6301
Email: jwilliams@bridgehousing.com

General partner(s) or principal owner(s): COMM22 Housing GP, LLC
General Partner Type: Nonprofit
Developer: BRIDGE Housing Corporation
Consultant: Community Economics
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 130
No. & % of Tax Credit Units: 128 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 13
Number of Units @ or below 50% of area median income: 87
Number of Units @ or below 60% of area median income: 28

Bond Information

Issuer: Housing Authority of the City of San Diego
Expected Date of Issuance: December 15, 2012
Credit Enhancement: N/A

Information

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

Unit Mix

34 1-Bedroom Units
 62 2-Bedroom Units
 34 3-Bedroom Units

 130 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 1 Bedroom	30%	30%	\$452
10 1 Bedroom	40%	40%	\$603
2 1 Bedroom	50%	50%	\$753
9 1 Bedroom	60%	60%	\$904
6 2 Bedrooms	40%	40%	\$723
44 2 Bedrooms	50%	47%	\$854
2 2 Bedrooms	60%	57%	\$1,025
10 2 Bedrooms	60%	57%	\$1,025
25 3 Bedrooms	50%	45%	\$949
7 3 Bedrooms	60%	55%	\$1,139
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$55,708,334
 Estimated Residential Project Cost: \$49,313,082
 Estimated Commercial Project Cost: \$6,395,252

Residential

Construction Cost Per Square Foot: \$136
 Per Unit Cost: \$379,331

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$28,000,000
CalHFA - MHSA	\$1,462,000
City of San Diego	\$9,255,000
San Diego Housing Commission	\$500,000
HCD TOD Grant	\$3,657,000
HCD IIG Grant	\$7,672,000
CalReUSE Grant	\$1,290,311
SANDAG Grant	\$701,238
Accrued Interest	\$286,516
Tax Credit Equity	\$129,980

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$3,915,000
CalHFA - MHSA	\$1,462,000
City of San Diego	\$7,959,575
San Diego Housing Commission	\$500,000
HCD TOD Loan	\$7,150,000
HCD TOD Grant	\$3,657,000
HCD IIG Grant	\$7,672,000
CalReUSE Grant	\$1,290,311
SANDAG Grant	\$701,238
Accrued Interest	\$286,516
Energy Credit Equity	\$181,313
Deferred Developer Fee	\$488,000
Tax Credit Equity	\$20,445,381
TOTAL	\$55,708,334

Determination of Credit Amount(s)

Requested Eligible Basis:	\$45,095,253
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$58,623,830
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$1,875,963
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,154,688
Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.08986

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:	\$45,095,253
Actual Eligible Basis:	\$45,095,253
Unadjusted Threshold Basis Limit:	\$35,191,426
Total Adjusted Threshold Basis Limit:	\$75,309,652

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 67%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

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 3.20% 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: The applicant requested and was granted a waiver to use fiberglass faced doors in replacement of the requirements described in TCAC regulation section 10325(f)(7)(e).

Local Reviewing Agency:

The Local Reviewing Agency, the 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
\$1,875,963	\$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: 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 TCAC placed-in-service application is submitted:

- The project commits to becoming certified under the following program:
Leadership in Energy & Environmental Design (LEED).
- The project commits to build the development to the requirements of LEED Silver.