

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 12, 2014

Project Number CA-14-903

Project Name Cielo Carmel (Project I)
 Site Address: 600 Block of Carmel Valley Road
 San Diego, CA 92130 County: San Diego
 Census Tract: 215.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,058,195	\$0
Recommended:	\$1,058,195	\$0

Applicant Information

Applicant: Affirmed Housing Group, Inc.
 Contact: John Wurster
 Address: 13520 Evening Creek Dr. North, Ste. 160
 San Diego, CA 92128
 Phone: 858-679-2828 Fax: 858-679-9076
 Email: john@affirmedhousing.com

General Partner(s) or Principal Owner(s): Affirmed Housing Group, Inc.
 General Partner Type: Joint Venture
 Parent Company(ies): Affirmed Housing Group, Inc.
 Developer: Affirmed Housing Group, Inc.
 Investor/Consultant: Boston Capital
 Management Agent: Solari Enterprises

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 9
 Total # of Units: 107
 No. & % of Tax Credit Units: 106 100.00%
 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: 11
 Number of Units @ or below 60% of area median income: 95

Bond Information

Issuer: San Diego Housing Commission
 Expected Date of Issuance: January 15, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

18 1-Bedroom Units
 53 2-Bedroom Units
 36 3-Bedroom Units

 107 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	50%	50%	\$740
16 1 Bedroom	60%	60%	\$888
5 2 Bedrooms	50%	50%	\$888
48 2 Bedrooms	60%	60%	\$1,066
4 3 Bedrooms	50%	50%	\$1,026
31 3 Bedrooms	60%	60%	\$1,231
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$25,004,803
 Estimated Residential Project Cost: \$25,004,803

Residential

Construction Cost Per Square Foot: \$130
 Per Unit Cost: \$233,690

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$16,451,516
Seller Contribution	\$540,000
Deferred Costs	\$2,351,942
Tax Credit Equity	\$5,661,345

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$11,574,101
Seller Contribution	\$540,000
Developer Equity	\$800,000
Deferred Developer Fee	\$768,013
Tax Credit Equity	\$11,322,689
TOTAL	\$25,004,803

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,226,080
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$31,493,904
Applicable Rate:	3.36%
Maximum Annual Federal Credit:	\$1,058,195
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$1.07000

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:	\$24,226,080
Actual Eligible Basis:	\$24,226,080
Unadjusted Threshold Basis Limit:	\$32,102,956
Total Adjusted Threshold Basis Limit:	\$41,695,782

Adjustments to Basis Limit:

Local Development Impact Fees

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 are below the minimum operating expenses established in the Regulations (see Special Issues/Other Significant Information section), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.36% 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: TCAC staff calculated the minimum operating expense to be \$4,600 per unit per year. This project’s operating expense minimum has been reduced to \$3,978 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor.

Local Reviewing Agency:

The Local Reviewing Agency, the San Diego Housing Commission, has completed a site review 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
\$1,058,195	\$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.