

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 10, 2014**

**Project Number** CA-14-913

**Project Name** Eastgate  
 Site Address: NW corner of Grand Avenue and future Creekside Drive  
 San Marcos, CA 92078 County: San Diego  
 Census Tract: 200.290

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$601,648	\$0
Recommended:	\$601,648	\$0

**Applicant Information**

Applicant: Eastgate Family Housing, LLC  
 Contact: Chris Earl  
 Address: 13520 Evening Creek Drive North, Suite 160  
 San Marcos CA 92128  
 Phone: (858) 386-5171 Fax: (858) 679-9076  
 Email: chris@affirmedhousing.com

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

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 3  
 Total # of Units: 42  
 No. & % of Tax Credit Units: 41 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME  
 Utility Allowance: CUAC  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 5  
 Number of Units @ or below 60% of area median income: 36

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: February 10, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Mayra Lozano

**Unit Mix**

3 SRO/Studio Units  
 8 1-Bedroom Units  
 19 2-Bedroom Units  
 12 3-Bedroom Units  


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 42 Total Units

<u>Unit Type &amp; 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>
3 SRO/Studio	60%	60%	\$829
1 1 Bedroom	50%	50%	\$740
7 1 Bedroom	60%	60%	\$888
2 2 Bedrooms	50%	50%	\$888
16 2 Bedrooms	60%	60%	\$1,066
2 3 Bedrooms	50%	50%	\$1,026
10 3 Bedrooms	60%	60%	\$1,231
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$18,497,000  
 Estimated Residential Project Cost: \$17,497,000  
 Estimated Commercial Project Cost: \$1,000,000

**Construction Financing**

<u>Source</u>	<u>Amount</u>
US Bank	\$8,000,000
City of San Marcos - Housing Funds	\$2,790,000
City of San Marcos - Land	\$3,200,000
City of San Marcos - Predevelopment	\$600,000
San Diego County - HOME	\$1,940,000
Costs Deferred until Perm	\$24,199
Deferred Developer Fee	\$500,681
Tax Credit Equity	\$1,442,120

**Residential**

Construction Cost Per Square Foot: \$181  
 Per Unit Cost: \$416,595

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
US Bank Note A - Residential	\$2,200,000
US Bank Note B - Commercial	\$1,000,000
City of San Marcos - Housing Funds	\$3,100,000
City of San Marcos - Land	\$3,200,000
City of San Marcos - Predevelopment	\$600,000
San Diego County - HOME	\$1,940,000
Deferred Developer Fee	\$500,681
Tax Credit Equity	\$5,956,319
<b>TOTAL</b>	<b>\$18,497,000</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,774,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,906,200
Applicable Rate:	3.36%
Maximum Annual Federal Credit:	\$601,648
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,800,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.99000

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:	\$13,774,000
Actual Eligible Basis:	\$13,774,000
Unadjusted Threshold Basis Limit:	\$12,150,754
Total Adjusted Threshold Basis Limit:	\$15,163,421

**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: 12%

**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 3.36% 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:** None

**Local Reviewing Agency:**

The Local Reviewing Agency, City of San Marcos, 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**  
**\$601,648**

**State Tax Credits/Total**  
**\$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 any one of the following programs:  
Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 100/125 standard.