

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

Talmadge Gateway, located at 4412 and 4422 Euclid Avenue and 4744, 4746, and 4748 El Cajon Boulevard in San Diego, CA, requested and is being recommended for a reservation of \$874,877 in annual federal tax credits and \$2,625,417 in total state tax credits to finance the new construction of 59 units of housing serving Special Needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Wakeland Housing & Development Corporation and will be located in Senate District 39 and Assembly District 78.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-15-138

Project Name Talmadge Gateway
Site Address: 4412, 4422 Euclid Avenue & 4744, 4746, 4748 El Cajon Boulevard
San Diego, CA 92115 County: San Diego
Census Tract: 23.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$874,877	\$2,625,417
Recommended:	\$874,877	\$2,625,417

Applicant Information

Applicant: Wakeland Housing & Development Corporation
Contact: Kenneth L. Sauder
Address: 1230 Columbia Street, Suite 950
San Diego, CA 92101
Phone: 619 677 2320 Fax: 619 235 5386
Email: ksauder@wakelandhdc.com

General Partner(s) / Principal Owner(s): Wakeland Talmadge Gateway LLC
Euclid1588 LLC
General Partner Type: Nonprofit
Parent Company(ies): Wakeland Housing & Development Corporation
City Heights Community Development Corporation
Developer: Wakeland Housing & Development Corporation
Investor/Consultant: Wells Fargo
Management Agent(s): FPI Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 60
 No. & % of Tax Credit Units: 59 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Project-Based Section 8 Vouchers (59 Units - 100%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 39.92%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 25 40 %
 45% AMI: 19 30 %
 50% AMI: 15 25 %

Information

Set-Aside: Special Needs/SRO
 Housing Type: Special Needs
 Type of Special Needs: Homeless/Formerly Homeless
 % of Special Need Units: 59 units 100%
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

59 SRO/Studio Units
 1 2-Bedroom Units

 60 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
25 SRO/Studio	30%	30%	\$425
19 SRO/Studio	45%	45%	\$637
15 SRO/Studio	50%	50%	\$708
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,687,836
Construction Costs	\$8,879,550
Rehabilitation Costs	\$0
Construction Contingency	\$468,131
Relocation	\$0
Architectural/Engineering	\$693,614
Construction Interest, Perm Financing	\$886,991
Legal Fees, Appraisals	\$46,551
Reserves	\$1,425,388
Other Costs	\$2,029,490
Developer Fee	\$1,548,111
Commercial Costs	\$1,198,081
Total	\$19,863,743

Project Financing

Estimated Total Project Cost:	\$19,863,743
Estimated Residential Project Cost:	\$18,517,551
Estimated Commercial Project Cost	\$1,346,192

Residential

Construction Cost Per Square Foot:	\$214
Per Unit Cost:	\$308,626

Construction Financing

Source	Amount
Wells Fargo	\$11,710,019
San Diego Housing Commission	\$4,560,000
Accrued/Deferred Interest	\$163,040
City of San Diego - Fee Waiver	\$127,027
Deferred Costs	\$2,125,388
General Partner Capital Contribution	\$148,111
Tax Credit Equity	\$1,030,156

Permanent Financing

Source	Amount
Wells Fargo Section 8 Loan	\$3,289,000
San Diego Housing Commission	\$4,800,000
Accrued/Deferred Interest	\$163,040
City of San Diego - Fee Waiver	\$127,027
General Partner Capital Contribution	\$148,111
Tax Credit Equity	\$11,336,565
TOTAL	\$19,863,743

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,751,392
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,376,809
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$874,877
Total State Credit:	\$2,625,417
Approved Developer Fee in Project Cost:	\$1,548,111
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	\$1.07675
State Tax Credit Factor:	\$0.72993

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:	\$8,751,392
Actual Eligible Basis:	\$13,906,230
Unadjusted Threshold Basis Limit:	\$11,011,542
Total Adjusted Threshold Basis Limit:	\$16,198,321

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Environmental Mitigation
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	62.120%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 for the 10% vacancy rate requirement for underwriting per TCAC Regulation Sections 10325(g)(4)(H) and 10327(g)(3). The applicant underwrote the vacancy at 5%.

The property owner will pay all utilities.

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.

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
\$874,877	\$2,625,417

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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. 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. 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) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ¼ mile of a pharmacy	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint	5	5	5
Develop project to requirements of: GreenPoint Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.