

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 Second Round
October 19, 2016

Weitzel Street Apartments, located at 428 North Weitzel Street in Oceanside, requested and is being recommended for a reservation of \$685,755 in annual federal tax credits and \$1,758,346 in total state tax credits to finance the new construction of 31 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 Solutions for Change and will be located in Senate District 36 and Assembly District 76.

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

Project Number CA-16-136

Project Name Weitzel Street Apartments
Site Address: 428 North Weitzel Street
Oceanside, CA 92054 County: San Diego
Census Tract: 184.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$685,755	\$1,758,346
Recommended:	\$685,755	\$1,758,346

Applicant Information

Applicant: SFC Weitzel, L.P.
Contact: Michael C. Megison
Address: 722 W. California Avenue
Vista, CA 92083
Phone: 760-941-6545
Email: chris@solutionsforchange.org

General Partner(s) / Principal Owner(s): Kingdom AH I, LLC
Solutions Weitzel, LLC

General Partner Type: Nonprofit

Parent Company(ies): Kingdom Development, Inc.
Solutions for Change, Inc.

Developer: Solutions for Change, Inc.

Investor/Consultant: Richman Group

Management Agent(s): Hyder Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 32
 No. & % of Tax Credit Units: 31 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-Based Vouchers (25 Units - 81%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 35.48%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 20 60 %
 40% AMI: 5 15 %
 50% AMI: 6 15 %

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless/Formerly homeless
 % of Special Need Units: 25 units 81%
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

20 2-Bedroom Units
 12 3-Bedroom Units

 32 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 2 Bedrooms	50%	50%	\$956
5 2 Bedrooms	40%	40%	\$765
9 2 Bedrooms	30%	30%	\$573
11 3 Bedrooms	30%	30%	\$663
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,143,060
Construction Costs	\$10,023,190
Rehabilitation Costs	\$0
Construction Contingency	\$527,312
Relocation	\$0
Architectural/Engineering	\$578,800
Const. Interest, Perm. Financing	\$783,937
Legal Fees, Appraisals	\$285,000
Reserves	\$483,150
Other Costs	\$1,430,702
Developer Fee	\$1,510,000
Commercial Costs	\$0
Total	\$17,765,151

Project Financing

Estimated Total Project Cost:	\$17,765,151
Estimated Residential Project Cost:	\$17,765,151
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$280
Per Unit Cost:	\$555,161
True Cash Per Unit Cost*:	\$505,161

Construction Financing

Source	Amount
Union Bank	\$12,288,568
City of Oceanside	\$1,226,000
Donated Lease Value	\$1,600,000
AHP	\$310,000
Accrued Soft Loan Interest	\$27,587
Deferred Fees and Costs	\$1,469,869
Tax Credit Equity	\$843,127

Permanent Financing

Source	Amount
Union Bank - Tranche B	\$2,893,993
City of Oceanside	\$1,226,000
HCD - MHP	\$3,214,742
Donated Lease Value	\$1,600,000
AHP	\$310,000
Accrued Soft Loan Interest	\$27,586
Solar Tax Credit Equity	\$61,560
Tax Credit Equity	\$8,431,270
TOTAL	\$17,765,151

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,861,154
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$7,619,500
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$685,755
Total State Credit:	\$1,758,346
Approved Developer Fee in Project Cost:	\$1,510,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Richman Group
Federal Tax Credit Factor:	\$1.05000
State Tax Credit Factor:	\$0.70000

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:	\$5,861,154
Actual Eligible Basis:	\$15,098,918
Unadjusted Threshold Basis Limit:	\$8,712,704
Total Adjusted Threshold Basis Limit:	\$12,747,792

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	72.848%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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.

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 City of Oceanside, 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
\$685,755	\$1,758,346

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 fifteen 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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ¼ mile of a public elementary school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	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	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.