

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 16, 2018

REVISED

C4, located at 406-430 Orange Ave, 445-451 Orange Ave, 560-566 G Ave, and 840 G Ave in San Diego, requested and is being recommended for a reservation of \$406,434 in annual federal tax credits to finance the rehabilitation of 34 units of housing serving tenants with rents affordable to households earning 50-60 AMI% of area median income (AMI). The project will be developed by Coronado Interfaith Housing Corporation and is located in Senate District 39 and Assembly District 78.

Project Number CA-18-743

Project Name C4

Site Address:	<u>Site 1</u> 406-430 Orange Avenue Coronado, CA 92118	<u>Site 2</u> 445-451 Orange Ave Coronado, CA 92118
Census Tract:	0111.00	0110.00

	<u>Site 3</u> 560-566 G Avenue Coronado, CA 92118	<u>Site 4</u> 840 G Avenue, Coronado, CA 92118
Census Tract:	0111.00	0108.00

County: San Diego

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$406,434	\$0
Recommended:	\$406,434	\$0

Applicant Information

Applicant: San Diego Interfaith Housing Foundation
Contact: Matthew Jumper
Address: 7956 Lester Avenue
Lemon Grove, CA 91945
Phone: (619) 668-1532
Email: m jumper@sdi hf.org

General Partner(s) or Principal Owner(s):	Coronado Interfaith Housing Corporation
General Partner Type:	Nonprofit
Parent Company(ies):	San Diego Interfaith Housing Foundation
Developer:	Coronado Interfaith Housing Corporation
Investor/Consultant:	Redstone Equity Partners
Management Agent:	Interfaith Housing Assistance Corporation

CA-18-743

Project Information

Construction Type:	Acquisition and Rehabilitation	
Total # Residential Buildings:	9	
Total # of Units:	35	
No. / % of Low Income Units:	34	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	

Bond Information

Issuer:	CA Public Finance Authority
Expected Date of Issuance:	August 1, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	San Diego County
TCAC Project Analyst:	Marisol Parks

55-Year Use / Affordability

Aggregate Targeting		Percentage of
Number of Units		Affordable
		Units
At or Below 50% AMI:	17	50%
At or Below 60% AMI:	17	50%

Unit Mix

3	1-Bedroom Units
32	2-Bedroom Units
35	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
<u>Site 1</u>				
2	1 Bedroom	50%	44%	\$759
7	2 Bedrooms	50%	44%	\$892
7	2 Bedrooms	60%	52%	\$1,070
1	2 Bedrooms	Manager's Unit	Manager's Unit	\$836
<u>Site 2</u>				
1	1 Bedroom	60%	56%	\$952
2	2 Bedrooms	60%	52%	\$1,070
<u>Site 3</u>				
2	2 Bedrooms	50%	44%	\$892
2	2 Bedrooms	60%	52%	\$1,070
<u>Site 4</u>				
6	2 Bedrooms	50%	44%	\$892
5	2 Bedrooms	60%	52%	\$1,070

TCAC-confirmed Projected Lifetime Rent Benefit: \$30,815,400

Project Cost Summary at Application

Land and Acquisition	\$7,053,838
Construction Costs	\$0
Rehabilitation Costs	\$2,367,030
Construction Contingency	\$315,389
Relocation	\$508,990
Architectural/Engineering	\$265,163
Const. Interest, Perm. Financing	\$505,040
Legal Fees, Appraisals	\$80,000
Reserves	\$86,964
Other Costs	\$343,997
Developer Fee	\$1,426,383
Commercial Costs	\$0
Total	\$12,952,794

Residential

Construction Cost Per Square Foot:	\$99
Per Unit Cost:	\$370,080
True Cash Per Unit Cost*:	\$218,049

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank	\$6,574,162	CCRC	\$2,580,075
CIHC Seller Loan	\$5,210,000	CIHC Seller Loan	\$5,210,000
CIHC Seller Loan Deferred Interest	\$121,365	CIHC Capital Contribution	\$1,400,000
CIHC Deferred Developer Fee	\$308,657	CIHC Seller Loan Deferred Interest	\$34,401
Tax Credit Equity	\$738,610	CIHC Deferred Developer Fee	\$111,055
		Tax Credit Equity	\$3,617,263
		TOTAL	\$12,952,794

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,921,102
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,031,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,397,432
Qualified Basis (Acquisition):	\$6,031,750
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$209,196
Maximum Annual Federal Credit, Acquisition:	\$197,238
Total Maximum Annual Federal Credit:	\$406,434
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,428,633
Investor/Consultant:	Redstone Equity Partners
Federal Tax Credit Factor:	\$0.89000

Per Regulation Section 10327(c)(6), 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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,952,852
Actual Eligible Basis:	\$10,952,852
Unadjusted Threshold Basis Limit:	\$10,677,174
Total Adjusted Threshold Basis Limit:	\$16,015,761

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 50%

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 3.27% 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.

Significant Information / Additional Conditions

The Utility Allowance Schedule is provided by the San Diego County Department of Housing and Community Development. The total utility allowance charged to the tenants in Sites 1 through 3 will be \$31 for the studios, \$44 for the one-bedroom units and \$56 for the two-bedroom units. These totals include an allowance for gas heating, gas cooking, basic electricity and water heating. The total utility allowance charged to the tenants in Site 4 will be \$41 for the two-bedroom units. This total includes gas heating, gas cooking, and basic electricity. Site 4 has solar water heating which is not included in total cost for utilities.

This project involves the substantial rehabilitation of 4 scattered-sites. The buildings were constructed from the 1920's through 1960's in the City of Coronado.

Local Reviewing Agency

The Local Reviewing Agency, the City of Coronado, has completed a site review of this project and strongly supports this project.

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.

CDLAC 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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.