

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

**REVISED**

The Link, located at 707-723 17th Street in San Diego, requested a reservation of \$2,500,000 in annual federal tax credits and \$488,919 in total state tax credits and is being recommended, if the Committee approves the pending appeal, for a reservation of \$2,500,000 in annual federal tax credits and \$488,906 in total state tax credits (see **“Significant Information / Additional Conditions”** section) to finance the new construction of 86 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 Affirmed Housing 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-18-102

**Project Name** The Link  
**Site Address:** 707-723 17th Street  
San Diego, CA 92101 County: San Diego  
**Census Tract:** 52.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,500,000	\$488,919
Recommended only if the Committee approves the pending appeal:	\$2,500,000	\$488,906

\* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

**Applicant:** East Village PSH, L.P.  
**Contact:** Jimmy Silverwood  
**Address:** 13520 Evening Creek Drive North, Suite 160  
San Diego, CA 92128  
**Phone:** 858-386-5178  
**Email:** james@affirmedhousing.com

**General Partner(s) / Principal Owner(s):** Affirmed Housing Group, Inc.  
Nexus for Affordable Housing  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Affirmed Housing  
Nexus for Affordable Housing  
**Developer:** Affirmed Housing  
**Investor/Consultant:** WNC & Associates  
**Management Agent(s):** Solari Enterprises, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 88  
 No. & % of Tax Credit Units: 86 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (72 Units / 83%)

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless / formerly homeless  
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.14%  
 % of Special Need Units: 72 units 82%  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Carmen Doonan

**55-Year Use / Affordability**

	<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	30	30%
At or Below 40% AMI:	42	45%
At or Below 50% AMI:	14	15%

**Unit Mix**

86 SRO/Studio Units  
 2 1-Bedroom Units  


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 88 Total Units

<u>Unit Type &amp; Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
30 SRO/Studio	30%	30%	\$511
42 SRO/Studio	40%	40%	\$682
14 SRO/Studio	50%	50%	\$852
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$30,195,000

**Project Cost Summary at Application**

Land and Acquisition	\$4,060,000
Construction Costs	\$19,550,000
Rehabilitation Costs	\$0
Construction Contingency	\$978,000
Relocation	\$0
Architectural/Engineering	\$1,470,400
Const. Interest, Perm. Financing	\$1,267,000
Legal Fees, Appraisals	\$213,000
Reserves	\$1,443,000
Other Costs	\$3,294,000
Developer Fee	\$2,097,736
Commercial Costs	\$0
<b>Total</b>	<b>\$34,373,136</b>

**Residential**

Construction Cost Per Square Foot:	\$585
Per Unit Cost:	\$390,604
True Cash Per Unit Cost*:	\$388,357

**Construction Financing**

Source	Amount
Banner Bank	\$13,336,377
Civic San Diego	\$10,350,000
Tax Credit Equity	\$10,686,767

**Permanent Financing**

Source	Amount
Civic San Diego	\$10,350,000
Deferred Developer Fee	\$197,736
Tax Credit Equity	\$23,825,400
<b>TOTAL</b>	<b>\$34,373,136</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,367,520
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,776
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$488,906
Approved Developer Fee in Project Cost:	\$2,097,736
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.94050
State Tax Credit Factor:	\$0.64000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$21,367,520
Actual Eligible Basis:	\$27,476,400
Unadjusted Threshold Basis Limit:	\$17,371,376
Total Adjusted Threshold Basis Limit:	\$26,255,926

**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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is also used

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>56.673%</b>

**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, 3.25%. 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**

TCAC staff initially reduced points for services because the documentation in the application did not demonstrate that all tenants will receive services. At the September 19, 2018 Committee Meeting, the Committee granted the applicant's appeal of staff's point reduction. The applicant has committed to providing services (see "**Points System**" section) to all tenants for a minimum of 15 years.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

The residential developer fee in cost was in excess of the limit required by TCAC regulation section 10327(c)(2)(A). Staff adjusted accordingly resulting in a reduction to the developer fee.

**Resyndication and Resyndication Transfer Event:** 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 San Diego Housing Commission, has completed a site review of this project and strongly supports this project.

**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)(5) 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public library	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs project within 1 mile of facility serving tenant population	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>NON-TARGETED HOUSING TYPE</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
<b>SPECIAL NEEDS HOUSING TYPE</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**