**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**December 12, 2018**

West Park Apartments, located at 1830 4th Avenue in San Diego, requested and is being recommended for a reservation of $548,135 in annual federal tax credits to finance the acquisition and rehabilitation of 46 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Housing Development Partners and is located in Senate District 39 and Assembly District 79.

The project will be receiving rental assistance in the form of Rental Assistance Demonstration (RAD) Project-based Vouchers.

| | | | |
|---|---|---|---|
| **Project Number** | CA-18-621 | | |
| **Project Name** | West Park Apartments | | |
| Site Address: | 1830 4th Avenue | | |
| | San Diego, CA 92101 | County: | San Diego |
| Census Tract: | 57.00 | | |

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $548,135 | $0 |
| Recommended: | $548,135 | $0 |

**Applicant Information**

| | |
|---|---|
| Applicant: | HDP West Park L.P. |
| Contact: | Josh Hoffman |
| Address: | 701 B Street - Suite 530 |
| | San Diego, CA 92101 |
| Phone: | (619) 578-7431 |
| Email: | jhoffman@hdpartners.org |

| | |
|---|---|
| General Partner(s) or Principal Owner(s): | HDP West Park Management LLC |
| General Partner Type: | Nonprofit |
| Parent Company(ies): | Housing Development Partners |
| Developer: | Housing Development Partners |
| Investor/Consultant: | Boston Capital |
| Management Agent: | SK Management |

**Project Information**

| | |
|---|---|
| Construction Type: | Acquisition & Rehabilitation |
| Total # Residential Buildings: | 1 |
| Total # of Units: | 47 |
| No. / % of Low Income Units: | 46 100.00% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | Tax-Exempt / HUD RAD Project-based Vouchers (46 units- 100%) |

**Bond Information**

| | |
|---|---|
| Issuer: | Housing Authority of the City of San Diego |
| Expected Date of Issuance: | April 1, 2019 |

**Information**

| | |
|---|---|
| Housing Type: | Non-Targeted |
| Geographic Area: | San Diego County |
| TCAC Project Analyst: | Diane SooHoo |

**55-Year Use / Affordability**

| Aggregate Targeting Number of Units | | Percentage of Affordable Units |
|---|---|---|
| At or Below 50% AMI: | 12 | 26% |
| At or Below 60% AMI: | 34 | 74% |

**Unit Mix**

| | |
|---|---|
| 47 | SRO/Studio Units |
| 47 | Total Units |

| Unit Type & Number | | 2018 Rents Targeted % of Area Median Income | 2018 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 12 | SRO/Studio | 50% | 48% | $815 |
| 30 | SRO/Studio | 60% | 48% | $815 |
| 4 | SRO/Studio | 60% | 56% | $946 |
| 1 | SRO/Studio | Manager’s Unit | Manager’s Unit | $0 |

TCAC-confirmed Projected Lifetime Rent Benefit: $2,226,840

| **Project Cost Summary at Application** | |
|---|---|
| Land and Acquisition | $5,220,000 |
| Construction Costs | $0 |
| Rehabilitation Costs | $4,654,495 |
| Construction Contingency | $470,003 |
| Relocation | $485,250 |
| Architectural/Engineering | $635,000 |
| Const. Interest, Perm. Financing | $1,073,175 |
| Legal Fees, Appraisals | $70,000 |
| Reserves | $253,245 |
| Other Costs | $902,405 |
| Developer Fee | $1,829,700 |
| Commercial Costs | $0 |
| **Total** | **$15,593,273** |

| **Residential** | |
|---|---|
| Construction Cost Per Square Foot: | $457 |
| Per Unit Cost: | $331,772 |
| True Cash Per Unit Cost*: | $220,708 |

**Construction Financing**

| Source | Amount |
|---|---|
| Citi Community Capital | $9,000,000 |
| Seller Carryback - HDP** | $5,220,000 |
| San Diego Housing Commission | $623,274 |
| Tax Credit Equity | $750,000 |

**Permanent Financing**

| Source | Amount |
|---|---|
| Citi Community Capital | $1,621,006 |
| Seller Carryback - HDP** | $5,220,000 |
| San Diego Housing Commission | $3,593,274 |
| Tax Credit Equity | $5,158,993 |
| **TOTAL** | **$15,593,273** |

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**Housing Development Partners of San Diego

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis (Rehabilitation): | $9,116,156 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | $4,911,545 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | $11,851,003 |
| Qualified Basis (Acquisition): | $4,911,545 |
| Applicable Rate: | 3.27% |
| Maximum Annual Federal Credit, Rehabilitation: | $387,527 |
| Maximum Annual Federal Credit, Acquisition: | $160,608 |
| Total Maximum Annual Federal Credit: | $548,135 |
| Approved Developer Fee (in Project Cost & Eligible Basi | $1,829,700 |
| Investor/Consultant: | Boston Capital |
| Federal Tax Credit Factor: | $0.94119 |

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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: | $14,027,701 |
| Actual Eligible Basis: | $14,027,701 |
| Unadjusted Threshold Basis Limit: | $10,462,294 |
| Total Adjusted Threshold Basis Limit: | $16,321,178 |

**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

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 26%

**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 proposed rents do not include any utility allowance. The owner will pay for all utilities.

**Resyndication and Resyndication Transfer Event:** None.

**Local Reviewing Agency**
The Local Reviewing Agency, San Diego Housing Commission , 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.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.