

# **CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

## **Project Staff Report Tax-Exempt Bond Project December 12, 2018**

Kimball Tower, located at 1317 D Avenue in National City, requested and is being recommended for a reservation of \$2,060,019 in annual federal tax credits to finance the acquisition and rehabilitation of 149 units of housing serving seniors with rents affordable to households earning 50-80% of area median income (AMI). The project will be developed by Community HousingWorks and is located in Senate District 40 and Assembly District 80.

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

<b>Project Number</b>	CA-18-661
<b>Project Name</b>	Kimball Tower
Site Address:	1317 D Avenue
	National City, CA 91950
	County: San Diego
Census Tract:	117.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,060,019	\$0
Recommended:	\$2,060,019	\$0

### **Applicant Information**

Applicant:	Kimball Tower Housing Associates, L.P.
Contact:	Anne B. Wilson
Address:	2815 Camino del Rio South, Suite 350 San Diego, CA 92108
Phone:	(619) 282-6647
Email:	awilson@chworks.org
General Partner(s) or Principal Owner(s):	CHW Kimball Development LLC Mercy Kimball Development LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Community HousingWorks Mercy Housing CalWest
Developer:	Community HousingWorks
Investor/Consultant:	US Bank
Management Agent:	Mercy Housing Management Group

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 151  
 No. / % of Low Income Units: 149 100.00%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (149 - 100%)

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: March 1, 2019

**Information**

Housing Type: Seniors  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Diane SooHoo

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 50% AMI: 65	44%
At or Below 60% AMI: 74	50%
At or Below 80% AMI: 10	7%

**Unit Mix**

150 1-Bedroom Units
1 2-Bedroom Units
<b>151 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
65 1 Bedroom	50%	50%	\$913
74 1 Bedroom	60%	60%	\$1,095
10 1 Bedroom	80%	66%	\$1,214
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$28,033,500

**Project Cost Summary at Application**

Land and Acquisition	\$28,800,000
Construction Costs	\$0
Rehabilitation Costs	\$14,962,386
Construction Contingency	\$1,610,568
Relocation	\$603,000
Architectural/Engineering	\$600,000
Const. Interest, Perm. Financing	\$3,854,063
Legal Fees, Appraisals	\$184,000
Reserves	\$555,365
Other Costs	\$721,122
Developer Fee	\$7,317,800
Commercial Costs	\$0
<b>Total</b>	<b>\$59,208,304</b>

**Residential**

Construction Cost Per Square Foot:	\$129
Per Unit Cost:	\$392,108
True Cash Per Unit Cost*:	\$270,811

**Construction Financing**

Source	Amount
Union Bank	\$37,500,000
Seller Carryback - National City	\$18,315,813
Accrued Deferred Interest	\$812,100
Deferred Costs	\$984,102
Tax Credit Equity	\$1,596,289

**Permanent Financing**

Source	Amount
Union Bank	\$11,164,000
Seller Carryback - National City	\$18,315,813
Accrued Deferred Interest	\$812,100
AHP	\$1,490,000
Income from Operations	\$1,188,036
CDLAC Deposit Refund	\$100,000
General Partner Equity	\$4,817,800
Tax Credit Equity	\$21,320,555
<b>TOTAL</b>	<b>\$59,208,304</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$22,978,331
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$33,125,700
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$29,871,830
Qualified Basis (Acquisition):	\$33,125,700
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$976,809
Maximum Annual Federal Credit, Acquisition:	\$1,083,210
Total Maximum Annual Federal Credit:	\$2,060,019
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,317,800
Investor/Consultant:	US Bank
Federal Tax Credit Factor:	\$1.03497

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:	\$56,104,031
Actual Eligible Basis:	\$56,104,031
Unadjusted Threshold Basis Limit:	\$38,808,300
Total Adjusted Threshold Basis Limit:	\$59,376,699

**Adjustments to Basis Limit**

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: 43%

**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 applicant has demonstrated the undue financial burden of full compliance to the requirements of Section 10325(f)(7)(K) and has been granted a partial waiver such that Kimball Tower shall provide 10% of units meeting the Chapter 11(B) mobility standards except for the need to extend current balconies to accommodate the full five-foot diameter turning radius. The project shall continue to provide 4% of units with communications accessible features in compliance with Chapter 11(B).

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

**Local Reviewing Agency**

The Local Reviewing Agency, City of National City Community - Development Housing & Grants Division, 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:** None.