

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

Hollister Apartments, located at 1010 Outer Road in San Diego, requested and is being recommended for a reservation of \$1,328,008 in annual federal tax credits to finance the acquisition and rehabilitation of 82 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by S.V.D.P. Management, Inc. 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. The project financing includes state funding from the SNHP through CalHFA.

Project Number CA-19-052

Project Name Hollister Apartments
Site Address: 1010 Outer Road
San Diego, CA 92154 County: San Diego
Census Tract: 101.070

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,328,008	\$0
Recommended:	\$1,328,008	\$0

Applicant Information

Applicant: S.V.D.P. Management, Inc.
Contact: Bill Bolstad
Address: 3350 E Street
San Diego, CA 92102
Phone: 619-446-2128
Email: Bill.Bolstad@neighbor.org

General Partner(s) / Principal Owner(s): S.V.D.P. Management, Inc.
General Partner Type: Nonprofit
Parent Company(ies): S.V.D.P. Management, Inc.
Developer: S.V.D.P. Management, Inc.
Investor/Consultant: The Richman Group
Management Agent(s): Hyder & Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 83
 No. & % of Tax Credit Units: 82 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (82 units - 100%)

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
 % of Special Need Units: 82 units 100%
 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 30% AMI: 82	80%

Unit Mix

82 SRO/Studio Units
 1 2-Bedroom Units

 83 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median	2018 Rents Actual % of Area Median	Proposed Rent
82 SRO/Studio	30%	30%	\$511
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$8,735,000
Construction Costs	\$0
Rehabilitation Costs	\$7,845,879
Construction Contingency	\$889,453
Relocation	\$0
Architectural/Engineering	\$241,025
Const. Interest, Perm. Financing	\$826,407
Legal Fees	\$155,000
Reserves	\$2,522,778
Other Costs	\$782,733
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$23,998,275

Residential

Construction Cost Per Square Foot:	\$282
Per Unit Cost:	\$289,136
True Cash Per Unit Cost*:	\$289,136

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Banner Bank Construction Loan	\$11,722,670	Private Donation to Developer	\$2,880,000
Private Donation to Developer	\$2,880,000	San Diego Housing Commission	\$4,860,000
San Diego Housing Commission	\$4,617,000	CalHFA - SNHP funds	\$3,775,000
Deferred Fees and Costs	\$3,530,278	Tax Credit Equity	\$12,483,275
Tax Credit Equity	\$1,248,327	TOTAL	\$23,998,275

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,208,418
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$503,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$14,570,944
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$503,750
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$1,311,385
Maximum Annual Federal Credit, Acquisition:	\$16,623
Total Maximum Annual Federal Credit:	\$1,328,008
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	\$0.94000

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:	\$11,712,168
Actual Eligible Basis:	\$18,148,918
Unadjusted Threshold Basis Limit:	\$17,315,854
Total Adjusted Threshold Basis Limit:	\$22,947,699

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages
- 100% of the Low Income Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	81.037%

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 meet or 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, 3.30%. 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

This project is a conversion/rehabilitation of a motel containing 88 units. Six units will be converted into office and community room space and 82 units will be rehabilitated to provide permanent supportive housing for homeless/chronically homeless as SRO units.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Negative Points			
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
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
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	0
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 15%	3	3	3
Additional rehab measures: Individually metered utilities per TCAC Reg.	2	2	2
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

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.