

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2019

Wesley Terrace, located at 5343 Monroe Avenue in San Diego, requested and is being recommended for a reservation of \$824,513 in annual federal tax credits to finance the acquisition and rehabilitation of 161 units of housing serving seniors with rents affordable to households earning 50-60% AMI of area median income (AMI). The project will be developed by Wesley Terrace Management, LLC and is 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-19-489

Project Name Wesley Terrace
Site Address: 5343 Monroe Ave
San Diego, CA 92115 County: San Diego
Census Tract: 28.03

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$824,513	\$0
Recommended:	\$824,513	\$0

Applicant Information

Applicant: Wesley Terrace Partners, LP
Contact: Colin Rice
Address: 1660 Hotel Circle North
San Diego CA 92108
Phone: (619) 750-8580
Email: colin@rahgroup.com

General Partner(s) or Principal Owner(s): Wesley Terrace Management, LLC
Wesley Developments, LLC

General Partner Type: Joint Venture

Parent Company: The RAHD Group

Developer: DAL Development, LLC

Investor/Consultant: City Real Estate Advisors

Management Agent: Royal Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 161
 No. / % of Low Income Units: 159 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based vouchers (159 units - 100%)

Bond Information

Issuer: Housing Authority of the City of San Diego
 Expected Date of Issuance: August 15, 2019

Information

Housing Type: Seniors
 Geographic Area: San Diego County
 TCAC Project Analyst: Elaine Johnson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 16	10%
60% AMI: 143	90%

Unit Mix

114 SRO/Studio Units
 46 1-Bedroom Units
 1 2-Bedroom Units

 161 Total Units

<u>Unit Type & 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>
103 SRO/Studio	60%	60%	\$1,023
11 SRO/Studio	50%	50%	\$852
40 1 Bedroom	60%	60%	\$1,095
5 1 Bedroom	50%	50%	\$913
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$8,520,000
Construction Costs	\$0
Rehabilitation Costs	\$9,472,054
Construction Hard Cost Contingency	\$1,172,205
Soft Cost Contingency	\$150,000
Relocation	\$300,000
Architectural/Engineering	\$260,000
Const. Interest, Perm. Financing	\$798,624
Legal Fees	\$295,000
Reserves	\$5,580,000
Other Costs	\$3,070,436
Developer Fee	\$3,278,869
Commercial Costs	\$0
Total	\$32,897,188

Residential

Construction Cost Per Square Foot:	\$132
Per Unit Cost:	\$204,330
True Cash Per Unit Cost*:	\$204,330

Construction Financing

Source	Amount
Citi Community Capital	\$22,000,000
Deferred Developer Fee	\$2,966,599
Operating Income	\$3,000,000
Tax Credit Equity	\$4,930,589

Permanent Financing

Source	Amount
Citi Community Capital	\$22,000,000
Operating Income	\$3,000,000
Deferred Developer Fee	\$311,667
Tax Credit Equity	\$7,585,521
TOTAL	\$32,897,188

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,716,842
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$8,271,154
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$16,716,842
Qualified Basis (Acquisition):	\$8,271,154
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$551,565
Maximum Annual Federal Credit, Acquisition:	\$272,948
Total Maximum Annual Federal Credit:	\$824,513
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,278,869
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.92000

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:	\$24,987,996
Actual Eligible Basis:	\$24,987,996
Unadjusted Threshold Basis Limit:	\$40,011,504
Total Adjusted Threshold Basis Limit:	\$48,013,804

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: 10%

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 3.30% 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 project is master metered and the project owner will pay all utilities.

The applicant has demonstrated impractically and/or undue financial burden of full compliance to the requirements of Section 10325(f)(7)(K) and has been granted a partial waiver such that the project shall provide 5% of units (8 units) meeting the Chapter 11(B) mobility standards. The project shall continue to provide 4% of units with communications accessible features in compliance with Chapter 11(B).

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.