

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

Keeler Court Apartments, located at 1290 - 1294 Keeler Court in San Diego, requested and is being recommended for a reservation of \$1,504,396 in annual federal tax credits to finance the new construction of 70 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Community HousingWorks and will be 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 IIG and AHSC programs of HCD.

Project Number CA-19-564

Project Name Keeler Court Apartments
Site Address: 1290 - 1294 Keeler Court
 San Diego, CA 92113 County: San Diego
Census Tract: 36.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,504,396	\$0
Recommended:	\$1,504,396	\$0

Applicant Information

Applicant: Keeler Court Housing Associates, L.P.
Contact: Mary Jane Jagodzinski
Address: 3111 Camino del Rio North, Suite 800
 San Diego, CA 92108
Phone: 619-450-8710
Email: mjjag@chworks.org

General Partner(s) or Principal Owner(s): Las Conchas Housing Opportunities LCC
General Partner Type: Nonprofit
Parent Company(ies): Community HousingWorks
Developer: Community HousingWorks
Management Agent: ConAm Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 71
No. / % of Low Income Units: 70 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (7 units - 10%)

Bond Information

Issuer: San Diego Housing Commission
 Expected Date of Issuance: December 1, 2019

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: Sara Dixon

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 14	20%
40% AMI: 7	10%
50% AMI: 21	30%
60% AMI: 28	40%

Unit Mix

10 SRO/Studio Units
 21 1-Bedroom Units
 18 2-Bedroom Units
22 3-Bedroom Units
 71 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	40%	40%	\$749
4 SRO/Studio	50%	48%	\$905
3 SRO/Studio	60%	60%	\$1,123
4 1 Bedroom	30%	26%	\$518
2 1 Bedroom	40%	40%	\$802
6 1 Bedroom	50%	50%	\$1,003
8 1 Bedroom	60%	60%	\$1,203
5 2 Bedrooms	30%	24%	\$582
2 2 Bedrooms	40%	40%	\$963
4 2 Bedrooms	50%	48%	\$1,165
7 2 Bedrooms	60%	60%	\$1,444
5 3 Bedrooms	30%	24%	\$673
1 3 Bedrooms	40%	40%	\$1,113
7 3 Bedrooms	50%	47%	\$1,294
9 3 Bedrooms	60%	60%	\$1,669
1 SRO/Studio	60%	60%	\$1,123
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,380,542
Construction Costs	\$22,519,951
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,125,998
Soft Cost Contingency	\$424,226
Relocation	\$0
Architectural/Engineering	\$1,555,600
Const. Interest, Perm. Financing	\$2,843,787
Legal Fees	\$116,938
Reserves	\$439,245
Other Costs	\$3,362,508
Developer Fee	\$4,574,021
Commercial Costs	\$0
Total	\$40,342,816

Residential

Construction Cost Per Square Foot:	\$282
Per Unit Cost:	\$568,209
True Cash Per Unit Cost*:	\$533,628

Construction Financing

Source	Amount
Union Bank	\$25,000,000
Civic San Diego	\$5,786,628
Civic San Diego Accrued Interest	\$224,139
RTCIP Fee Waiver	\$165,200
HCD - IIG	\$940,000
AHP	\$700,000
Seller Carryback	\$2,115,000
Seller Note Accrued Interest	\$114,563
Costs Deferred Until Conversion	\$744,146
Deferred Developer Fee	\$175,000
Tax Credit Equity	\$4,378,140

Permanent Financing

Source	Amount
Union Bank	\$4,374,500
Civic San Diego	\$6,429,587
Civic San Diego Accrued Interest	\$224,139
RTCIP Fee Waiver	\$165,200
HCD - IIG	\$940,000
HCD - AHSC	\$7,188,481
AHP	\$700,000
Seller CarryBack	\$2,115,000
Seller Note Accrued Interest	\$114,563
Deferred Developer Fee	\$175,000
GP Equity Contribution	\$2,999,021
Tax Credit Equity	\$14,917,325
TOTAL	\$40,342,816

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$35,067,495
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$45,587,744
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$1,504,396
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,574,021
Federal Tax Credit Factor:	\$0.99158

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:	\$35,067,495
Actual Eligible Basis:	\$35,067,495
Unadjusted Threshold Basis Limit:	\$23,378,786
Total Adjusted Threshold Basis Limit:	\$52,102,850

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 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: 40%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 40%

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

TCAC staff noted the total development cost per unit is \$568,209. The applicant noted some of the factors attributing to the cost per unit are prevailing wage, parking requirements, sustainability requirements for the AHSC program, and developing an infill site in close proximity to community amenities.

Resyndication and Resyndication Transfer Event: None

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.