

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Courthouse Commons, located at 220 West Broadway in San Diego, requested and is being recommended for a reservation of \$838,535 in annual federal tax credits to finance the new construction of 41 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Holland Development and will be located in Senate District 39 and Assembly District 78.

Project Number CA-20-570

Project Name Courthouse Commons
Site Address: 220 West Broadway
San Diego, CA 92101 County: San Diego
Census Tract: 53.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$838,535	\$0
Recommended:	\$838,535	\$0

Applicant Information

Applicant: SDCC South Block Development Partners, L.P.
Contact: Tom Warren
Address: 5000 East Spring Street, Suite 500
Long Beach, CA 90815
Phone: 206-465-4569
Email: twarren@hollandpartnergroup.com

General Partner(s) or Principal Owner(s): NASH-Holland SDCC South Block GP, LLC
AHA SDCC MGP, LLC

General Partner Type: Joint Venture

Parent Company(ies): NASH/Holland Partner Group
Affordable Housing Access, Inc.

Developer: Holland Development

Investor/Consultant: Self Syndication

Management Agent: Holland Residential, LLC

2nd Management Agent: Solari Enterprises

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 82
 No. / % of Low Income Units: 41 50.00%
 Federal Set-Aside Elected: 20%/50%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: Housing Authority of the City of San Diego
 Expected Date of Issuance: June 30, 2020
 Credit Enhancement: Mizuho Bank

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 41	100%

Unit Mix

16 SRO/Studio Units
49 1-Bedroom Units
6 2-Bedroom Units
11 3-Bedroom Units
82 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>
7 SRO/Studio	50%	50%	\$936
18 1 Bedroom	50%	50%	\$1,003
5 2 Bedrooms	50%	50%	\$1,203
11 3 Bedrooms	50%	50%	\$1,391
9 SRO/Studio	Market Rate Unit	Market Rate Unit	\$2,316
7 1 Bedroom	Market Rate Unit	Market Rate Unit	\$2,586
24 1 Bedroom	Market Rate Unit	Market Rate Unit	\$3,076

This project has 24-hour staffing in lieu of manager units.

Project Cost Summary at Application

Land and Acquisition	\$196,370
Construction Costs	\$30,252,664
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,149,376
Soft Cost Contingency	\$390,991
Relocation	\$0
Architectural/Engineering	\$1,105,152
Const. Interest, Perm. Financing	\$4,261,375
Legal Fees	\$635,264
Reserves	\$446,385
Other Costs	\$1,648,458
Developer Fee	\$766,915
Commercial Costs	\$0
Total	\$40,852,950

Residential

Construction Cost Per Square Foot:	\$456
Per Unit Cost:	\$498,207
True Cash Per Unit Cost*:	\$498,207

Construction Financing

Source	Amount
City of San Diego HA	\$24,000,000
GP Equity	\$11,467,600
Tax Credit Equity	\$5,385,350

Permanent Financing

Source	Amount
City of San Diego HA	\$21,000,000
GP Equity	\$11,467,600
Tax Credit Equity	\$8,385,350
TOTAL	\$40,852,950

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$39,816,460
130% High Cost Adjustment:	Yes
Applicable Fraction:	50.00%
Qualified Basis:	\$25,880,699
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$838,535
Approved Developer Fee (in Project Cost & Eligible Basis):	\$766,915
Investor/Consultant:	Self Syndication
Federal Tax Credit Factor:	\$1.00000

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:	\$39,816,460
Actual Eligible Basis:	\$39,816,460
Unadjusted Threshold Basis Limit:	\$23,856,558
Total Adjusted Threshold Basis Limit:	\$41,078,895

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- 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: 54%

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 3.24% 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: None.

The 41 affordable units that comprise Courthouse Commons will be part of a larger development consisting of 431 total units. At placed in service the applicant must clearly delineate any costs that tenants incur to access any common areas, the ownership structure of these areas, the costs attributed to them, and if these costs were included in eligible basis. The applicant states the project will be subdivided into various condominium air rights to allow for separate ownership of the market rate units and the affordable

Per TCAC Regulation Section 10325(f)(7)(J) the project has committed to employ an equivalent number of on-site full-time property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property’s fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. TCAC reserves the right to require that one or more on-site managers’ units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.