

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

Hilltop & Euclid Family Housing, located at 922-1040 Euclid Avenue in San Diego, requested and is being recommended for a reservation of \$1,973,532 in annual federal tax credits and \$8,110,788 in total state tax credits to finance the new construction of 111 units of housing serving large families with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Affirmed Housing Group and will be located in Senate District 40 and Assembly District 80.

**Project Number** CA-20-500

**Project Name** Hilltop & Euclid Family Housing  
**Site Address:** 922-1040 Euclid Avenue  
San Diego, CA 92114 County: San Diego  
**Census Tract:** 34.04

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,973,532	\$8,110,788
Recommended:	\$1,973,532	\$8,110,788

\* The applicant made an election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

**Applicant:** Hilltop Family Housing, L.P.  
**Contact:** Jonathan Taylor  
**Address:** 13520 Evening Creek Drive North, Suite 160  
San Diego, CA 92128  
**Phone:** (858) 386-5168  
**Email:** jonathan@affirmedhousing.com

**General Partner(s) or Principal Owner(s):** AHG Hilltop LLC  
NEXUS for Affordable Housing, Inc.

**General Partner Type:** Joint Venture

**Parent Company(ies):** Affirmed Housing Group  
NEXUS for Affordable Housing, Inc.

**Developer:** Affirmed Housing Group

**Investor/Consultant:** WNC

**Management Agent:** Solari Enterprises, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 3  
 Total # of Units: 113  
 No. / % of Low Income Units: 111 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 Utility Allowance: CUAC

**Bond Information**

Issuer: San Diego Housing Commission  
 Expected Date of Issuance: September 1, 2020

**Information**

Housing Type: Large Family  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Prashil Keshav

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 26	23%
60% AMI: 85	77%

**Unit Mix**

14 SRO/Studio Units  
 23 1-Bedroom Units  
 37 2-Bedroom Units  
 21 3-Bedroom Units  
 18 4-Bedroom Units  


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 113 Total Units

<u>Unit Type &amp; 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>
14 SRO/Studio	50%	24%	\$453
12 1 Bedroom	50%	26%	\$518
11 1 Bedroom	60%	52%	\$1,036
36 2 Bedrooms	60%	48%	\$1,165
20 3 Bedrooms	60%	47%	\$1,295
18 4 Bedrooms	60%	45%	\$1,398
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1
Construction Costs	\$33,192,844
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,513,429
Soft Cost Contingency	\$532,666
Relocation	\$0
Architectural/Engineering	\$2,257,416
Const. Interest, Perm. Financing	\$2,275,000
Legal Fees	\$350,000
Reserves	\$303,000
Other Costs	\$3,995,361
Developer Fee	\$3,600,000
Commercial Costs	\$319,550
<b>Total</b>	<b>\$49,339,267</b>

**Residential**

Construction Cost Per Square Foot:	\$266
Per Unit Cost:	\$433,803
True Cash Per Unit Cost*:	\$424,928

**Construction Financing**

Source	Amount
Banner Bank	\$27,885,943
Civic San Diego	\$5,547,663
San Diego Housing Commission	\$8,122,500
Deferred Costs	\$5,365,338
Tax Credit Equity	\$2,417,823

**Permanent Financing**

Source	Amount
Banner Bank	\$8,565,000
Civic San Diego	\$5,850,000
San Diego Housing Commission	\$8,550,000
Deferred Developer Fee	\$1,009,420
Tax Credit Equity	\$25,364,847
<b>TOTAL</b>	<b>\$49,339,267</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$46,854,975
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$60,911,468
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,973,532
Total State Credit:	\$8,110,788
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,600,000
Investor/Consultant:	WNC
Federal Tax Credit Factor:	\$0.98010
State Tax Credit Factor:	\$0.74250

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:	\$46,854,975
Actual Eligible Basis:	\$46,854,975
Unadjusted Threshold Basis Limit:	\$39,212,210
Total Adjusted Threshold Basis Limit:	\$63,976,451

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

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: 25%

**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 3.24% 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.

**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.