

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

September 16, 2020

Front & Beech Apartments, located at 1475 Front Street in San Diego, requested and is being recommended for a reservation of \$1,289,832 in annual federal tax credits and \$9,186,796 in total state tax credits to finance the new construction of 77 units of housing serving tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and will be 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. The project financing includes state funding from the MIP through CalHFA.

Project Number CA-20-634

Project Name Front & Beech Apartments
Site Address: 1475 Front Street
San Diego, CA 92101 County: San Diego
Census Tract: 56.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,289,832	\$9,186,796
Recommended:	\$1,289,832	\$9,186,796

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

Applicant Information

Applicant: Front & Beech SH, L.P.
Contact: Cristina Martinez
Address: 13520 Evening Creek Drive N., Suite 160
San Diego, CA 92128
Phone: 858-386-5170
Email: cristina@affirmedhousing.com

General Partner(s) or Principal Owner(s): AHG Front & Beech, LLC
Nexus MGP LLC

General Partner Type: Joint Venture

Parent Company(ies): Affirmed Housing Group, Inc.
Nexus for Affordalbe Housing, Inc.

Developer: Affirmed Housing Group, Inc.

Investor/Consultant: WNC & Associates

Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 78
 No. / % of Low Income Units: 77 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers(32 Units - 41%)

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: January 15, 2021

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>		<u>Percentage of Affordable Units</u>
30% AMI:	32	42%
80% AMI:	45	58%

Unit Mix

77 SRO/Studio Units
1 2-Bedroom Units
 78 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
32 SRO/Studio	30%	30%	\$606
35 SRO/Studio	80%	65%	\$1,310
4 SRO/Studio	80%	66%	\$1,340
6 SRO/Studio	80%	69%	\$1,400
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,179,097
Construction Costs	\$19,695,000
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,576,000
Soft Cost Contingency	\$487,325
Relocation	\$65,000
Architectural/Engineering	\$1,531,840
Const. Interest, Perm. Financing	\$2,356,860
Legal Fees	\$187,500
Reserves	\$250,000
Other Costs	\$2,473,776
Developer Fee	\$3,642,359
Commercial Costs	\$0
Total	\$36,444,757

Residential

Construction Cost Per Square Foot:	\$414
Per Unit Cost:	\$467,240
True Cash Per Unit Cost*:	\$452,595

Construction Financing

<u>Source</u>	<u>Amount</u>
Banner Bank	\$20,524,006
San Diego Housing Commission	\$4,037,500
Deferred Costs	\$2,281,459
Tax Credit Equity	\$9,601,792

Permanent Financing

<u>Source</u>	<u>Amount</u>
Banner Bank	\$8,062,847
San Diego Housing Commission	\$4,250,000
CalHFA Mixed Income Program	\$3,785,968
Deferred Developer Fee	\$1,142,359
Tax Credit Equity	\$19,203,583
TOTAL	\$36,444,757

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$30,622,800
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$39,809,640
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,289,832
Total State Credit:	\$9,186,796
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,642,359
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.96000
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:	\$30,622,800
Actual Eligible Basis:	\$30,622,800
Unadjusted Threshold Basis Limit:	\$20,065,228
Total Adjusted Threshold Basis Limit:	\$39,752,514

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 – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 82%

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:

The reservation of tax credits is contingent upon verification by HUD of the rental subsidy contract rent amounts within 180 days of the date of reservation.

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.