CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Grant Heights II, located at 2651 - 2663 J Street and 3845 Winona Avenue in San Diego, requested and is being recommended for a reservation of $542,300 in annual federal tax credits to finance the acquisition and rehabilitation of 41 units of housing serving large families with rents affordable to households earning 45% - 50% of area median income (AMI). The project will be developed by San Diego Community Housing Corporation and is located in Senate District 40 and Assembly District 80.

Grant Heights II is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Grant Heights Park Apartments (CA-01-026). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-20-600	
Project Name	Grant Heights II	
Site Address:	Grant Heights Apartments 2651-2663 J Street San Diego, CA 92102	The Winona 3845 Winona Avenue San Diego, CA 92105
Census Tract:	48.00	27.10
County:	San Diego	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$542,300	$0
Recommended:	$542,300	$0

Applicant Information

Applicant:	Grant Heights II, L.P.
Contact:	Ted Miyahara
Address:	6160 Mission Gorge Road, Suite 204 San Diego, CA 92120
Phone:	619-876-4222
Email:	tmiyahara@ots-sdchc.org

General Partner(s) or Principal Owner(s):	San Diego Community Housing Corporation Urban League of San Diego County
General Partner Type:	Nonprofit
Parent Company(ies):	San Diego Community Housing Corporation San Diego Urban League
Developer:	San Diego Community Housing Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Solari Enterprises Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	5	
Total # of Units:	42	
No. / % of Low Income Units:	41	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (28 Units - 68%) HOME	

Bond Information

Issuer:	Housing Authority of the City of San Diego
Expected Date of Issuance:	December 29, 2020

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Sara Dixon

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
45% AMI:	13	32%
50% AMI:	28	68%

Unit Mix

19	1-Bedroom Units
22	2-Bedroom Units
1	3-Bedroom Units
42	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	1 Bedroom	45%	45%	$974
2	1 Bedroom	50%	50%	$1,083
2	1 Bedroom	50%	50%	$1,083
9	1 Bedroom	50%	50%	$1,083
7	2 Bedrooms	45%	45%	$1,170
9	2 Bedrooms	50%	50%	$1,300
1	2 Bedrooms	50%	50%	$1,300
4	2 Bedrooms	50%	50%	$1,300
1	3 Bedrooms	50%	50%	$1,501
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$9,795,000
Construction Costs	$0
Rehabilitation Costs	$3,007,322
Construction Hard Cost Contingency	$300,732
Soft Cost Contingency	$150,000
Relocation	$135,000
Architectural/Engineering	$244,400
Const. Interest, Perm. Financing	$759,728
Legal Fees	$60,000
Reserves	$175,449
Other Costs	$228,755
Developer Fee	$1,809,340
Commercial Costs	$0
Total	**$16,665,726**

Residential

Construction Cost Per Square Foot:	$102
Per Unit Cost:	$396,803
True Cash Per Unit Cost*:	$247,551

Construction Financing

Source	Amount
Banner Bank - Tax Exempt	$8,815,000
SDHC[1] (Assumed)	$1,337,280
SDHC[1] - Deferred Interest	$31,876
Urban League - Seller Note	$4,189,233
Urban League - Deferred Interest	$62,579
SDCHC[2] - Seller Note	$287,539
SDCHC[2] - Deferred Interest	$4,409
Deferred Costs	$1,015,449
General Partner Equity	$200,000
Deferred Developer Fee	$409,340
Tax Credit Equity	$313,021

Permanent Financing

Source	Amount
Banner Bank - Tax Exempt	$3,905,770
Banner Bank - Taxable	$150,000
SDHC[1] - (Assumed)	$1,337,280
SDHC[1] - Deferred Interest	$31,876
Urban League - Seller Note	$5,571,720
Urban League - Deferred Interest	$62,579
SDCHC[2] Seller Note	$287,539
SDCHC[2] - Deferred Interest	$4,409
General Partner Equity	$200,000
Deferred Developer Fee	$409,340
Tax Credit Equity	$4,705,213
TOTAL	**$16,665,726**

[1]San Diego Housing Commission

[2]San Diego Community Housing Corporation

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,085,923
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$10,125,959
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,611,700
Qualified Basis (Acquisition):	$10,125,959
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$214,219
Maximum Annual Federal Credit, Acquisition:	$328,081
Total Maximum Annual Federal Credit:	$542,300
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,809,340
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.86764

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:	$15,211,882
Actual Eligible Basis:	$15,211,882
Unadjusted Threshold Basis Limit:	$13,895,036
Total Adjusted Threshold Basis Limit:	$27,790,072

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 50% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

The estimate of the contractor's profit, overhead and general requirement costs exceed the limits established by regulation. Be cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed; otherwise the Tax Credit originally awarded may be decreased.

Grant Heights II is a scattered site project consisting of 14 income restricted units under the HOME/Housing Trust Fund (HTF) program The Winona, and an existing 28 unit Low Income Housing Tax Credit (LIHTC) project Grant Heights Apartments (CA-01-026).

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-01-026). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-01-026) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(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.

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.