CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 28, 2021

Broadway 1, located at 1562 E Main Street in El Cajon, requested and is being recommended for a reservation of $2,773,809 in annual federal tax credits to finance the acquisition and rehabilitation of 160 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Security Properties and Las Palmas Housing and is located in Senate District 38 and Assembly District 71.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-21-425	
Project Name	Broadway 1	
Site Address:	1562 E Main Street	
	El Cajon, CA 92021	County: San Diego
Census Tract:	164.02	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,773,809	$0
Recommended:	$2,773,809	$0

Applicant Information

Applicant:	Broadway 1 Preservation LP
Contact:	Bryon Gongaware
Address:	701 Fifth Avenue, Suite 5700 Seattle, WA 98104
Phone:	(206) 628-8010
Email:	bryong@secprop.com

General Partner(s) or Principal Owner(s):	Broadway 1 Preservation GP LLC Las Palmas Housing and Development Corp.
General Partner Type:	Joint Venture
Parent Company(ies):	Security Properties Las Palmas Housing
Developer:	Security Properties/ Las Palmas Housing
Investor/Consultant:	PNC Real Estate
Management Agent:	The John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	15
Total # of Units:	161
No. / % of Low Income Units:	160 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (128 units - 80%)

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	September 1, 2021

Information

Housing Type:	At-Risk
Geographic Area:	San Diego County
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	17	11%
50% AMI:	17	11%
60% AMI:	126	79%

Unit Mix

28	1-Bedroom Units
91	2-Bedroom Units
42	3-Bedroom Units
161	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	30%	30%	$649
4	1 Bedroom	50%	50%	$1,083
20	1 Bedroom	60%	60%	$1,299
9	2 Bedrooms	30%	30%	$780
9	2 Bedrooms	50%	50%	$1,300
72	2 Bedrooms	60%	60%	$1,560
4	3 Bedrooms	30%	30%	$901
4	3 Bedrooms	50%	50%	$1,501
34	3 Bedrooms	60%	60%	$1,802
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$46,775,900
Construction Costs	$0
Rehabilitation Costs	$11,290,850
Construction Hard Cost Contingency	$1,110,985
Soft Cost Contingency	$20,000
Relocation	$0
Architectural/Engineering	$200,000
Const. Interest, Perm. Financing	$3,051,128
Legal Fees	$239,320
Reserves	$833,051
Other Costs	$1,368,156
Developer Fee	$8,408,177
Commercial Costs	$0
Total	**$73,297,567**

Residential

Construction Cost Per Square Foot:	$83
Per Unit Cost:	$455,264
True Cash Per Unit Cost*:	$420,994

Construction Financing

Source	Amount
PNC - Tax Exempt	$37,765,000
PNC - Taxable	$5,192,000
PNC - Bridge Loan	$18,187,688
Tax Credit Equity	$3,723,466

Permanent Financing

Source	Amount
PNC - Tax Exempt	$37,765,000
PNC - Taxable	$5,192,000
Deferred Developer Fee	$5,517,459
Tax Credit Equity	$24,823,108
TOTAL	**$73,297,567**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$16,275,106
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$48,187,580
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$21,157,638
Applicable Rate:	4.00%
Qualified Basis (Acquisition):	$48,187,580
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	$846,306
Maximum Annual Federal Credit, Acquisition:	$1,927,503
Total Maximum Annual Federal Credit:	$2,773,809
Approved Developer Fee (in Project Cost & Eligible Basis):	$8,408,177
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	$0.89491

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:	$64,462,686
Actual Eligible Basis:	$64,462,686
Unadjusted Threshold Basis Limit:	$60,873,064
Total Adjusted Threshold Basis Limit:	$79,134,983

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: 10%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 20%

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 4.00% 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 contract renewal amounts within 180 days of the date of reservation.

This project is the first phase of a concurrent four percent (4%) application, Broadway 2 (CA-21-424). Broadway 1 and Broadway 2 are being developed as multiple simultaneous phases using the same credit type pursuant to TCAC Regulation Section 10327(c)(2)(C). The developer fees for Broadway 1 and Broadway 2 comply with the requirements for simultaneous phases.

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.