

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 23, 2023**

Horton House, located at 333 G Street in San Diego, requested and is being recommended for a reservation of \$4,210,321 in annual federal tax credits to finance the acquisition & rehabilitation of 150 units of housing serving tenants with rents affordable to households earning 45% of area median income (AMI). The project will be developed by San Diego Interfaith Housing Foundation and is located in Senate District 39 and Assembly District 78.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will 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-23-538
Project Name Horton House
Site Address: 333 G Street
San Diego, CA 92101
County: San Diego
Census Tract: 53.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,210,321	\$0
Recommended:	\$4,210,321	\$0

Applicant Information

Applicant: Horton House, L.P.
Contact: Matthew Jumper
Address: 7956 Lester Avenue
Lemon Grove, CA 91945
Phone: 619-668-1532
Email: mjumper@sdihf.org pkoch@sdihf.org

General Partner(s) or Principal Owner(s): Horton House Interfaith Housing Corporation
General Partner Type: Nonprofit
Parent Company(ies): Horton House Interfaith Housing Corporation
Developer: San Diego Interfaith Housing Foundation
Bond Issuer: California Municipal Finance Authority
Investor/Consultant: Redstone Equity Partners
Management Agent: Interfaith Housing Assistance Corp.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 153
No. / % of Low Income Units: 150 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (150 Units - 100%)

Information

Housing Type: At-Risk
 Geographic Area: San Diego County
 CTCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
45% AMI:	150	100%

Unit Mix

49 SRO/Studio Units
102 1-Bedroom Units
2 2-Bedroom Units
153 Total Units

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
49 SRO/Studio	45%	\$947
101 1 Bedroom	45%	\$1,108
2 2 Bedrooms	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$79,550,000
Construction Costs	\$0
Rehabilitation Costs	\$17,565,318
Construction Hard Cost Contingency	\$1,744,031
Soft Cost Contingency	\$50,000
Relocation	\$400,000
Architectural/Engineering	\$150,000
Const. Interest, Perm. Financing	\$6,763,776
Legal Fees	\$157,500
Reserves	\$2,201,700
Other Costs	\$822,677
Developer Fee	\$11,100,000
Commercial Costs	\$0
Total	\$120,505,002

Residential

Construction Cost Per Square Foot:	\$124
Per Unit Cost:	\$787,614
True Cash Per Unit Cost*:	\$511,874

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citi Community Capital	\$60,478,170	Citi Community Capital	\$39,302,060
Seller Note: Primary	\$33,182,537	Seller Note	\$33,253,653
Seller Note: Secondary	\$6,850,000	Existing Reserves	\$200,000
Deferred Costs	\$2,194,200	Net Operating Income	\$2,605,920
Net Operating Income	\$2,605,920	Deferred Developer Fee	\$8,934,606
Existing Reserves	\$200,000	Tax Credit Equity	\$36,208,763
Deferred Developer Fee	\$10,752,861	TOTAL	\$120,505,002
Tax Credit Equity	\$5,641,314		

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$24,296,613
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$73,982,755
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$31,585,597
Qualified Basis (Acquisition):	\$73,982,755
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$1,251,011
Maximum Annual Federal Credit, Acquisition:	\$2,959,310
Total Maximum Annual Federal Credit:	\$4,210,321
Approved Developer Fee (in Project Cost & Eligible Basis):	\$11,100,000
Investor/Consultant:	Redstone Equity Partners
Federal Tax Credit Factor:	\$0.86000

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.

Significant Information / Additional Conditions

The project has a cost of \$787,614 per unit. The applicant noted that the high per unit cost is attributed to the project's location in downtown San Diego, which increases the overall land cost/value, and is reflected in the appraised value of the building and improvements.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).