

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Cuatro at City Heights, located at four sites (see below) in San Diego, requested and is being recommended for a reservation of \$3,913,346 in annual federal tax credits to finance the new construction of 115 units of housing serving families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Wakeland Housing and Development Corporation and will be located in Senate District 39 and Assembly District 79.

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 Multifamily Housing Program (MHP), Infill Infrastructure Grant (IIG), and Veterans Housing and Homelessness Prevention (VHHP) programs of HCD.

Project Number CA-23-563

Project Name Cuatro at City Heights

Site Address:	Site 1	Site 2
	4050 El Cajon Boulevard	3951 University Avenue
	San Diego, CA 92105	San Diego, CA 92105
	County: San Diego	County: San Diego
	Census Tract: 2100	Census Tract: 2401
	Site 3	Site 4
	4050 University Avenue	4102-4122 University Avenue
	San Diego, CA 92105	San Diego, CA 92105
	County: San Diego	County: San Diego
	Census Tract: 2202	Census Tract: 2202

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,913,346	\$0
Recommended:	\$3,913,346	\$0

Applicant Information

Applicant: Wakeland Housing and Development Corporation
Contact: Julie Hattler
Address: 1230 Columbia Street, Suite 950
San Diego, CA 92101
Phone: 858-354-0552
Email: jhattler@wakelandhdc.com

General Partner(s) or Principal Owner(s): Cuatro at City Heights LLC
General Partner Type: Nonprofit
Parent Company(ies): Wakeland Housing and Development Corporation
Developer: Wakeland Housing and Development Corporation
Bond Issuer: San Diego Housing Commission
Investor/Consultant: California Housing Partnership
Management Agent: ConAm

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 117
 No. / % of Low Income Units: 115 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (48 Units - 41%)

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 CTCAC Project Analyst: Nick White

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	40	35%
40% AMI:	12	10%
50% AMI:	41	36%
60% AMI:	22	19%

Unit Mix

26 SRO/Studio Units
 29 1-Bedroom Units
 33 2-Bedroom Units
 29 3-Bedroom Units

 117 Total Units

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 SRO/Studio	30%	\$561
4 SRO/Studio	30%	\$561
3 SRO/Studio	40%	\$911
3 SRO/Studio	50%	\$1,138
7 SRO/Studio	50%	\$1,138
2 SRO/Studio	60%	\$1,366
8 1 Bedroom	30%	\$601
5 1 Bedroom	30%	\$601
3 1 Bedroom	40%	\$976
3 1 Bedroom	50%	\$1,220
8 1 Bedroom	50%	\$1,220
1 1 Bedroom	50%	\$1,220
1 1 Bedroom	60%	\$1,464
8 2 Bedrooms	30%	\$721
3 2 Bedrooms	40%	\$1,171
3 2 Bedrooms	50%	\$1,463
7 2 Bedrooms	50%	\$1,463
10 2 Bedrooms	60%	\$1,756
8 3 Bedrooms	30%	\$834
3 3 Bedrooms	40%	\$1,353
2 3 Bedrooms	50%	\$1,691
7 3 Bedrooms	50%	\$1,691
9 3 Bedrooms	60%	\$2,030
2 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,028,290
Construction Costs	\$55,499,251
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,636,436
Soft Cost Contingency	\$373,370
Relocation	\$0
Architectural/Engineering	\$2,511,616
Const. Interest, Perm. Financing	\$10,215,735
Legal Fees	\$263,963
Reserves	\$581,128
Other Costs	\$3,895,541
Developer Fee	\$8,695,369
Commercial Costs	\$3,507,557
Total	\$95,208,256

Residential

Construction Cost Per Square Foot:	\$458
Per Unit Cost:	\$781,050
True Cash Per Unit Cost*:	\$727,765

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Banner Bank: Tax-Exempt	\$47,111,000	Banner Bank	\$8,721,000
Banner Bank: Taxable	\$23,984,006	HCD: MHP	\$22,155,752
HCD: IIG	\$4,808,970	HCD: VHHP	\$8,443,317
City of San Diego	\$4,000,000	HCD: IIG	\$5,343,300
Deferred Costs	\$1,514,099	City of San Diego	\$4,000,000
Deferred Developer Fee	\$6,495,369	Commercial Tenant Contribution	\$3,825,400
Tax Credit Equity	\$7,294,812	Deferred Developer Fee	\$6,495,369
		Tax Credit Equity	\$36,224,118
		TOTAL	\$95,208,256

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$62,243,883
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$97,833,642
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,913,346
Approved Developer Fee in Project Cost:	\$8,695,369
Approved Developer Fee in Eligible Basis:	\$8,377,526
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.92566

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 total development cost per unit is \$727,765. The main factors contributing to the high cost per unit are labor and commodity increases, the project's status as a scattered site, the additional level of supervision and security during construction, and cost of four separate buildings on small infill sites, along with prevailing wages.

This project involves the new construction of four scattered sites. 4050 El Cajon Boulevard consists of one building containing 25 total units including a manager's unit, 3951 University Avenue consists of one building containing 21 low-income units, 4050 University Avenue consists of one building containing 38 total units including a manager's unit, and 4102-4122 University Avenue consists of one building containing 33 low-income units.

The project has committed to provide 2 on-site manager units. In lieu of a 3rd on-site manager unit at 3951 University Avenue, the project is committing to employ an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff who are not tenants and are capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

The current legal description for all sites are part of a larger site and the project site's parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-23-563 must be completed as part of the placed-in-service package.

The commercial spaces will be developed on separate parcels and will not be owned by the partnership in the long term. The owner of the commercial space will be responsible for all tenant improvements and there will be no income or expenses to the project.

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).