

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

The project, 8th Avenue Family Housing, located at 3927 8th Avenue in San Diego, requested and is being recommended for a reservation of \$2,066,291 in annual federal tax credits to finance the new construction of 79 units of housing serving families with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Rise 8th Ave LP and will be located in Senate District 39 and Assembly District 78.

Project Number CA-23-566

Project Name 8th Avenue Family Housing
Site Address: 3927 8th Avenue
San Diego, CA 92103
County: San Diego
Census Tract: 0004.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,066,291	\$0
Recommended:	\$2,066,291	\$0

Applicant Information

Applicant: Rise 8th Ave LP
Contact: Rob Morgan
Address: 3525 Del Mar Heights Road, #211
San Diego, CA 92130
Phone: 619-540-2859
Email: rob@trestlebuild.com

General Partner(s) or Principal Owner(s): Rise 8th Ave LLC
National Housing MGP LLC
General Partner Type: Joint Venture
Parent Company(ies): Rise Urban Partners, LLC
National Housing Corporation
Developer: Rise 8th Ave LP
Bond Issuer: San Diego Housing Commission
Investor/Consultant: Red Stone Equity Partners
Management Agent: Aperto Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 80
No. / % of Low Income Units: 79 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 CTCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI:	8	10%
50% AMI:	71	90%

Unit Mix

22 SRO/Studio Units
18 1-Bedroom Units
20 2-Bedroom Units
<u>20 3-Bedroom Units</u>
80 Total Units

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	\$683
20 SRO/Studio	50%	\$1,138
2 1 Bedroom	30%	\$732
15 1 Bedroom	50%	\$1,220
2 2 Bedrooms	30%	\$878
18 2 Bedrooms	50%	\$1,463
2 3 Bedrooms	30%	\$1,015
18 3 Bedrooms	50%	\$1,691
1 1 Bedroom	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$50,000
Construction Costs	\$27,582,709
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,001,348
Soft Cost Contingency	\$475,000
Relocation	\$651,284
Architectural/Engineering	\$1,460,530
Const. Interest, Perm. Financing	\$3,949,080
Legal Fees	\$265,000
Reserves	\$530,000
Other Costs	\$1,654,794
Developer Fee	\$5,203,707
Commercial Costs	\$0
Total	\$43,823,452

Residential

Construction Cost Per Square Foot:	\$360
Per Unit Cost:	\$547,793
True Cash Per Unit Cost ¹ :	\$505,072

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank: Tax-Exempt	\$21,600,000	Citibank: Tax-Exempt	\$8,529,032
MGP ²	\$12,100,000	MGP ²	\$12,100,000
MGP ² : Accrued Interest	\$1,800,000	MGP ² : Accrued Interest	\$1,800,000
Deferred Developer Fee	\$3,166,350	Deferred Developer Fee	\$3,417,688
Tax Credit Equity	\$5,157,102	Tax Credit Equity	\$17,976,732
		TOTAL	\$43,823,452

¹Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

²National Housing MGP LLC

Determination of Credit Amount(s)

Requested Eligible Basis:	\$39,995,086
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$51,993,612
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,066,291
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,203,707
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.87000

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 current legal description is 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-23-566 must be completed as part of the placed-in-service package.

This Project's annual per unit operating expense total is below the CTCAC published annual per unit operating expense minimum of \$5,700. As allowed by CTCAC Regulation Section 10327(g)(1), CTCAC approves an annual per unit operating expense of \$5,263 on agreement of the permanent lender and equity investor.

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).