

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**December 6, 2023**

SOHI Seniors Affordable , located at 821 Stevens Avenue in Solana Beach, requested and is being recommended for a reservation of \$804,011 in annual federal tax credits to finance the new construction of 32 units of housing serving seniors with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by HG Fenton Property Company and will be located in Senate District 39 and Assembly District 77.

**Project Number** CA-23-651

**Project Name** SOHI Seniors Affordable  
**Site Address:** 821 Stevens Avenue  
Solana Beach, CA 92075  
**County:** San Diego  
**Census Tract:** 173.04

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$804,011	\$0
Recommended:	\$804,011	\$0

**Applicant Information**

**Applicant:** SOHI Affordable LP  
**Contact:** David Gatzke  
**Address:** 7577 Mission Valley Road  
San Diego, CA 92108  
**Phone:** 619-400-0120  
**Email:** dgatzke@hgfenton.com

**General Partner(s) or Principal Owner(s):** SOHI Affordable LLC  
Pacific Southwest CDC

**General Partner Type:** Joint Venture  
**Parent Company(ies):** HG Fenton Property Company  
Pacific Southwest CDC

**Developer:** HG Fenton Property Company  
**Bond Issuer:** California Municipal Finance Authority  
**Investor/Consultant:** SOHI Investor LLC  
**Management Agent:** HG Fenton Property Co  
Barker Management, Inc

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 1  
**Total # of Units:** 32  
**No. / % of Low Income Units:** 32 100.00%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** Tax-Exempt

**Information**

**Housing Type:** Seniors  
**Geographic Area:** San Diego County  
**CTCAC Project Analyst:** Franklin Cui

## 55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	4	13%
50% AMI:	4	13%
60% AMI:	24	75%

## Unit Mix

12 SRO/Studio Units
15 1-Bedroom Units
5 2-Bedroom Units
<b>32 Total Units</b>

Unit Type & Number	2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
1 SRO/Studio	30%	\$724
1 SRO/Studio	50%	\$1,206
10 SRO/Studio	60%	\$1,226
1 1 Bedroom	30%	\$775
1 1 Bedroom	50%	\$1,292
13 1 Bedroom	60%	\$1,402
2 2 Bedrooms	30%	\$931
2 2 Bedrooms	50%	\$1,551
1 2 Bedrooms	60%	\$1,577

## Project Cost Summary at Application

Land and Acquisition	\$0
Construction Costs	\$10,623,130
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$926,506
Soft Cost Contingency	\$82,832
Relocation	\$0
Architectural/Engineering	\$691,128
Const. Interest, Perm. Financing	\$1,351,859
Legal Fees	\$203,862
Reserves	\$110,000
Other Costs	\$892,266
Developer Fee	\$2,016,951
Commercial Costs	\$0
<b>Total</b>	<b>\$16,898,534</b>

## Residential

Construction Cost Per Square Foot:	\$557
Per Unit Cost:	\$528,079
True Cash Per Unit Cost*:	\$512,941

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
SOHI LLC Tax Exempt	\$8,400,000	SOHI LLC Tax Exempt	\$2,509,000
SOHI LLC Tax Exempt Recycled	\$2,000,000	SOHI LLC	\$5,400,000
SOHI Taxable	\$5,147,103	Accrued Interest	\$465,000
Accrued Interest	\$465,000	Deferred Developer Fee	\$484,426
Deferred Developer Fee	\$484,426	Tax Credit Equity	\$8,040,108
Tax Credit Equity	\$402,005	<b>TOTAL</b>	<b>\$16,898,534</b>

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

#### **Determination of Credit Amount(s)**

Requested Eligible Basis:	\$15,554,569
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$20,220,939
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$804,011
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,016,951
Investor/Consultant:	SOHI Investor LLC
Federal Tax Credit Factor:	\$1.00000

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**

One of the 2 bedroom units will be occupied by a tax-credit qualified property manager.

The applicant's estimate of builder/contractor overhead, profit, and general requirement costs exceeds the 14% limit under regulation section 10327(c)(1). The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 tax forms, any costs or eligible basis that exceeds the limit will not be allowed.

**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).