

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 Second Round Cycle
October 8, 2008

Project Number CA-2008-126

Project Name Cedar Gateway
Site Address: 1620 6th Avenue
San Diego, CA 92101 County: San Diego
Census Tract: 56.0

Applicant Information

Applicant: Cedar Gateway, L.P.
Contact: Gary Squier
Address: 3129 6th Street
Santa Monica, CA 90405
Phone: 310-850-9043 Fax: 310-392-5831
Email: gary@squierproperties.com
General Partners(s) Type: Joint Venture

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: San Diego

Eligible Basis

Requested: \$16,189,177
Actual: \$26,030,017
Maximum Permitted: \$17,474,236

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced: 10%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,650,000	\$0
Recommended:	\$1,650,000	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: N/A
Total # of Units: 65
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 63 units
Breakdown by %: 40% @ 30%, 50% @ 50%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency/Credit Reduction/Public Funds Maximum of 20 points	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
Owner / Management Characteristics Maximum of 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Housing Needs Maximum of 10 points	10	10	10
Site Amenities Maximum of 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre	7	7	7
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Inner-city project within 1 mile of a full-scale grocery store with staples, fresh meat	3	3	3
<input checked="" type="checkbox"/> Large Family project within ½ mile of public school that project children may attend	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
Service Amenities Maximum of 10 points	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
Neighborhood Revitalization Maximum of 9 points	9	9	9
Sustainable Building Methods Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Construction Indoor Air Quality Management plan	2	2	2
Lowest Income Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed Maximum of 20 points	20	20	20
State credit substitution Maximum of 2 points	2	2	2
Total Points	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Large Family**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **62.895%**

2008 Rents for 2nd Round 2008

Unit Type & Number	% of Area Median Income	Proposed Rent (including utilities)
23 One-Bedroom Units	25%	\$370
2 Two-Bedroom Units	30%	\$533
12 Two-Bedroom Units	50%	\$811
3 Three-Bedroom Units	30%	\$616
23 Three-Bedroom Units	50%	\$912
2 Two-Bedroom Units	Manager's Units	\$789

The general partner(s) or principal owner(s) are Cedar Squier ROEM, LLC and Pacific Housing, Inc.

The project developer is Cedar Squier ROEM, LLC.

The management agent is FPI Management, Inc.

The market analyst is Lea & Company.

The Local Reviewing Agency, San Diego Housing Commission, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$35,149,742 Per Unit Cost: \$494,033 Construction Cost Per Sq. Foot: \$340
 Estimated Residential Cost: \$32,062,742
 Estimated Commercial Cost: \$3,082,000

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CalHFA	\$18,800,000	CalHFA	\$2,060,000
CCDC*	\$3,294,900	CCDC*	\$3,661,000
CalHFA Gap loan	\$325,000	CalHFA Gap loan	\$325,000
CCDC – deferred ground lease payment	\$308,000	MHP	\$3,301,191
CCDC – parking purchase	\$1,400,000	CCDC – parking purchase	\$1,400,000
RDA ground lease (land value)	\$4,957,000	CalHFA/MHSA loan	\$2,751,809
Deferred Developer Fee	\$1,400,000	RDA ground lease (land value)	\$4,957,000
Investor Equity	\$4,664,842	Retail space sales proceeds	\$1,682,000
		Deferred Developer Fee	\$491,742
		Investor Equity	\$14,520,000
		TOTAL	\$35,149,742

*Center City Development Corporation

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,189,177
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$420,919
Qualified Basis:	\$20,625,011
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit:	\$1,650,000
Approved Developer Fee in Project Cost:	\$1,400,000
Approved Developer Fee in Eligible Basis:	\$1,355,588
Tax Credit Factor: Alliant Capital, Ltd.	\$0.88

Applicant requests and staff recommends annual federal credits of \$1,650,000 based on a qualified basis of \$20,625,011 and a funding shortfall of \$14,520,000.

Cost Analysis and Line Item Review

The requested eligible basis \$16,189,177 is below TCAC’s threshold basis limit \$17,474,236. The basis limit was increased by the following extraordinary features: required to pay state or federal prevailing wages; required to provide parking beneath the residential units; local development impact fees; 95% of upper floor units are elevator-serviced; and 3 or more energy efficiency/resource conservation/indoor air quality items (using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system, at least 75% of the construction and demolition

waste, measured by either weight or volume, will be recycled, and using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used).

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Annual operating expenses **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 **8.00%** 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.

Special Issues/Other Significant Information: None

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits, in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$1,650,000	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(8) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Gina Ferguson