

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
2009 Single Round  
September 10, 2009**

**Project Number** CA-2009-225  
**Project Name** Riverwalk Apartments  
**Site Address:** 1194 Hollister Street  
San Diego, CA 92154 County: San Diego  
**Census Tract:** 0101.10

**Applicant Information**

**Applicant:** Riverwalk Apartments, LP  
**Contact:** James Silverwood  
**Address:** 13520 Evening Creek Drive North, Suite 360  
San Diego, CA 92128  
**Phone:** 858-679-2828 **Fax:** 858-679-9076  
**Email:** jim@affirmedhousing.com  
**General Partner Type:** For Profit

**Information**

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

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$846,150	\$0
Recommended:	\$846,150	\$0

**ARRA Award Amount**

Federal Calculated Amount Requested:  $(\$846,150 \times 10 \times \$0.12) = \$1,015,380$   
Total Federal Award Recommended: \$1,015,380  
Total State Award Recommended: \$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** N/A  
**Total # of Units:** 50  
**Total # Residential Buildings:** 4  
**Federal Set-Aside Elected:** 40%/60%  
**% & No. of Tax Credit Units:** 100% - 49 units

**Eligible Basis**

**Requested:** \$7,232,052  
**Actual:** \$11,562,899  
**Maximum Permitted:** \$13,825,671

**Adjustments to Threshold Basis Limit:**

Required to Pay Prevailing Wages

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects exceeding Title 24 by at least 15%
- Projects using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system
- Projects installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas

Utilizing New Energy Technologies

Local Development Impact Fees

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency/Credit Reduction/Public Funds</b> Maximum 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Public Funds	20	31	20
<b>Owner / Management Characteristics</b> Maximum 9 points	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b>Housing Needs</b> Maximum 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b> Maximum 15 points	<b>15</b>	<b>15</b>	<b>15</b>
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input checked="" type="checkbox"/> Large Family project within ¼ mile of public school that project children may attend	3	3	3
<b>Service Amenities</b> Maximum 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> After school programs of an ongoing nature for school age children	5	5	5
<b>Sustainable Building Methods</b> Maximum 8 points	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	0
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Construction Indoor Air Quality Management plan	2	2	2
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<b>Lowest Income</b> Maximum 52 points	<b>52</b>	<b>52</b>	<b>52</b>
<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
<b>Readiness to Proceed</b> Maximum 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<b>State Credit Substitution</b> Maximum 2 points	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>146</b>	<b>146</b>	<b>146</b>

**Tie-Breaker Information**

First: Housing Type

**Large Family**

Second: Calculated Ratio per Regulation 10325(c)(10)

**68.068%**

<b>Unit Type &amp; Number</b>	<b>2009 Rents % of Area Median Income</b> (rounded)	<b>Proposed Rent</b> (including utilities)
2 One-bedroom Units	30%	\$464
15 One-bedroom Units	50%	\$774
2 One-bedroom Units	60%	\$929
1 Two-bedroom Unit	30%	\$557
4 Two-bedroom Units	40%	\$743
5 Two-bedroom Units	50%	\$928

2	Three-bedroom Units	29%	\$620
1	Three-bedroom Unit	35%	\$743
5	Three-bedroom Units	49%	\$1,033
12	Three-bedroom Units	58%	\$1,239
1	Three-bedroom Unit	Manager's Unit	\$0

The general partner or principal owner is Affirmed Housing Group, Inc.

The project developer is Affirmed Housing Group, Inc.

The management agent is Solari Enterprises, Inc.

The market analyst is Laurin Associates.

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

**Project Financing**

Estimated Total Project Cost: \$14,214,686 Per Unit Cost: \$284,294 Construction Cost Per Sq. Foot: \$175

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
US Bank	\$7,510,466	US Bank	\$2,716,496
San Diego Housing Commission	\$4,475,145	San Diego Housing Commission	\$4,475,145
		Investor Equity	\$6,007,665
		TCAC ARRA Award	\$1,015,380
		<b>TOTAL</b>	<b>\$14,214,686</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$7,232,052
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$9,401,667
Applicable Rate:	9.00%
Applicable Rate:	3.50%
Maximum Annual Federal Credit:	\$846,150
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor:	Boston Capital
Federal Tax Credit Factor:	\$.71

**Cost Analysis and Line Item Review**

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 9.00% of the qualified basis. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information:** The square footage for units and number of washers and dryers per units were not identifiable in the architectural drawings. Per section 10325(g)(1)(B) of TCAC regulations one-bedroom units must include at least 500 square feet and two-bedroom units must include at least 750 square feet of living space. These limits may be waived for rehabilitation projects, at the discretion

of the Executive Director. Three-bedroom units shall include at least 1,000 square feet of living space and four-bedroom units shall include at least 1,200 square feet of living space, unless these restrictions conflict with the requirements of another governmental agency to which the project is subject to approval (bedrooms shall be large enough to accommodate two persons each and living areas shall be adequately sized to accommodate families based on two persons per bedroom). Per section 10325(g)(1)(G) adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 10 units. To the extent that tenants will be charged for the use of central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each unit, subject to the further provision that gas connections for dryers shall be provided where gas is otherwise available at the property.

**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 and ARRA funds, in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
\$846,150	\$0
<b>ARRA/Federal</b>	<b>ARRA/State</b>
\$1,015,380	\$0

### **Standard Conditions**

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), 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 twelve (12) 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 and allocation fees must be paid by cashier's check within the time periods specified in the 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 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 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)(6) 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.

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.

### **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 **February 8, 2010**, 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:** DC Navarrette