

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 19, 2011
REVISED**

Project Number CA-2011-887

Project Name Forester Square
Site Address: 8820 Olive Lane, 9554 & 9560 Via Zapador
Santee, CA 92071 County: San Diego
Census Tract: 166.160

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$477,553	\$0
Recommended:	\$477,553	\$0

Applicant Information

Applicant: Forester Square, L.P.
Contact: David Heatherington
Address: 1230 Columbia Street, Suite 950
San Diego, CA 92101
Phone: (619) 235-2296 Fax: (619) 235-5386
Email: dheatherington@wakelandhdc.com

General partner(s) or principal owner(s): Wakeland Forester Square, LLC
General Partner Type: Non-profit
Developer: Wakeland Housing & Development Corporation
Investor: US Bank
Management Agent: ConAm Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 4
Total # of Units: 44
No. & % of Tax Credit Units: 43 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / HOME
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 5
Number of Units @ or below 60% of area median income: 38

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: October, 2011
Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

18 1-Bedroom Units
 12 2-Bedroom Units
 14 3-Bedroom Units

 44 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedrooms	50%	50%	\$736
1 2 Bedrooms	50%	50%	\$849
5 3 Bedrooms	50%	50%	\$944
17 1 Bedrooms	60%	60%	\$883
10 2 Bedrooms	60%	60%	\$1,019
9 3 Bedrooms	60%	60%	\$1,133
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,200

Project Financing

Estimated Total Project Cost: \$13,119,302
 Estimated Residential Project Cost: \$13,119,302

Residential

Construction Cost Per Square Foot: \$104
 Per Unit Cost: \$298,166

Construction Financing

<u>Source</u>	<u>Amount</u>
US Bank	\$6,930,732
City of Santee	\$4,697,125
Deferred Interest	\$140,914
Tax Credit Equity	\$400,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
US Bank	\$2,642,631
City of Santee	\$5,494,000
Deferred Interest	\$140,914
Business Investment Credit Equity	\$5,000
Deferred Developer Fee	\$300,000
Tax Credit Equity	\$4,536,757
TOTAL	\$13,119,302

Determination of Credit Amount(s)

Requested Eligible Basis: \$10,883,896
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$14,149,065
 Applicable Rate: 3.40%
 Maximum Annual Federal Credit: \$477,553
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,400,000
 Investor: US Bank
 Federal Tax Credit Factor: \$0.95000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,883,896
Actual Eligible Basis:	\$10,883,896
Unadjusted Threshold Basis Limit:	\$10,905,578
Total Adjusted Threshold Basis Limit:	\$13,803,721

Adjustments to Basis Limit:

Local Development Impact Fees
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are
Income Targeted between 50% AMI & 36% AMI: 11%

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 3.40% 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: The applicant’s estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Santee, has completed a site review of this project and strongly supports this project

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 Tax Credits/Annual	State Tax Credits/Total
\$477,553	\$0

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 an allocation fee calculated in accordance with regulation. 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.

Additional Conditions: The applicant/owner is required to provide the tenants with after school programs of an ongoing nature and educational classes (such as English as a Second Language classes, computer training, etc but which are not the same as after school programs for a minimum of 10 years. free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.