

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 11, 2013
REVISED**

Project Number CA-13-893

Project Name City Heights Ten (Scattered Site)
Site Address: 3429-3431 43rd St., 3535-3545 43rd St., 3820-3832 43rd St.,
4085 & 4251 44th St., 4048-4064 1/2 48th St.,
4217-4231 Euclid Ave., 4165-4175 Highland Ave., 3604 Van Dyke Ave.
San Diego, CA 92105 County: San Diego
Census Tract: 0024.02, 0025.01, 0027.07, 0023.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$495,817	\$0
Recommended:	\$495,817	\$0

Applicant Information

Applicant: Wakeland Housing & Development Corporation
Contact: Kenneth L. Sauder
Address: 1230 Columbia Street, Suite 950
San Diego, CA 92101
Phone: 619-677-2320 Fax: 619-235-5386
Email: ksauder@wakelandhdc.com

General Partner(s) or Principal Owner(s): Wakeland City Heights Ten, LLC.
City Heights Community Development Corporation
General Partner Type: Nonprofit
Parent Company(ies): Wakeland Housing & Development Corporation
City Heights Community Development Corporation
Developer: Wakeland Housing & Development Corporation
Investor/Consultant: The Richman Group
Management Agent: Hyder & Company

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 21
Total # of Units: 132
No. & % of Tax Credit Units: 129 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 114
Number of Units @ or below 60% of area median income: 15

Bond Information

Issuer: San Diego Housing Authority
 Expected Date of Issuance: December 1, 2013
 Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

4 SRO/Studio Units
 46 1-Bedroom Units
 73 2-Bedroom Units
 9 3-Bedroom Units

 132 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	50%	33%	\$466
1 SRO/Studio	50%	43%	\$614
1 SRO/Studio	50%	48%	\$674
13 1 Bedroom	50%	36%	\$544
8 1 Bedroom	50%	50%	\$756
12 1 Bedroom	50%	39%	\$589
1 1 Bedroom	50%	48%	\$728
4 1 Bedroom	50%	49%	\$737
6 1 Bedroom	50%	50%	\$754
1 1 Bedroom	50%	45%	\$676
13 2 Bedrooms	60%	50%	\$913
7 2 Bedrooms	50%	50%	\$902
1 2 Bedrooms	50%	50%	\$907
5 2 Bedrooms	50%	49%	\$888
10 2 Bedrooms	50%	50%	\$907
18 2 Bedrooms	50%	50%	\$906
5 2 Bedrooms	50%	48%	\$866
12 2 Bedrooms	50%	50%	\$907
4 3 Bedrooms	50%	49%	\$1,021
1 3 Bedrooms	50%	49%	\$1,030
1 3 Bedrooms	50%	48%	\$1,008
1 3 Bedrooms	50%	50%	\$1,048
2 3 Bedrooms	60%	51%	\$1,072
1 1 Bedroom	Manager's Unit	Manager's Unit	\$521
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$986
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$878

Project Financing

Estimated Total Project Cost:	\$16,704,680
Estimated Residential Project Cost:	\$16,704,680

Residential

Construction Cost Per Square Foot:	\$43
Per Unit Cost:	\$126,551

Construction Financing

Source	Amount
Well Fargo Bank Construction Loan	\$8,000,000
San Diego Housing Commission	\$6,278,000
Transfer of Reserves - CHCDC	\$473,263
Tax Credit Equity	\$497,111

Permanent Financing

Source	Amount
CCRC Permanent Loan	\$4,429,180
San Diego Housing Commission	\$6,278,000
Income from Operations	\$143,067
Transfer of Reserves - CHCDC	\$473,263
General Partner Capital Contribution	\$423,000
Tax Credit Equity	\$4,958,170
TOTAL	\$16,704,680

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,150,379
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,498,777
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,995,493
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$7,498,777
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$255,856
Maximum Annual Federal Credit, Acquisition:	\$239,961
Total Maximum Annual Federal Credit:	\$495,817
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,411,000
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	\$1.00000

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:	\$13,649,156
Actual Eligible Basis:	\$13,649,156
Unadjusted Threshold Basis Limit:	\$33,642,040
Total Adjusted Threshold Basis Limit:	\$63,247,035

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 92%

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 3.20% 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 estimated syndication costs are slightly above the maximum based regulation section 10327(c)(3). The applicant is advised this number must meet TCAC requirements at the time of placed in service.

Local Reviewing Agency:

The Local Reviewing Agency, San Diego Housing Commission, 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
\$495,817	\$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 a reservation 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: None