CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 20, 2014

Project Number   CA-14-871

Project Name   San Diego Square
    Site Address: 1055 9th Avenue
                           San Diego CA, 92101   County: San Diego
    Census Tract: 5300.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,154,550	$0
Recommended:	$1,154,550	$0

Applicant Information
    Applicant: HDP Broadway LP
    Contact: Michael Pavco
    Address: 1335 5th Avenue
                        San Diego CA 92101   CA   92101
    Phone: (619) 630-7050   Fax: (619) 578-7360
    Email: mpavco@hdpartners.org

    General Partner(s) or Principal Owner(s):   HDP Broadway Management LLC
    General Partner Type: Nonprofit
    Parent Company(ies):   Housing Development Partners
    Developer: Housing Development Partners
    Investor/Consultant: Boston Capital Corporation
    Management Agent: SK Management

Project Information
    Construction Type: Acquisition & Rehabilitation
    Total # Residential Buildings: 1
    Total # of Units: 156
    No. & % of Tax Credit Units: 149   96.75%
    Federal Set-Aside Elected: 40%/60%
    Federal Subsidy: Tax-Exempt/HUD Project-Based Section 8 Contract (154 units - 100%)
    HCD MHP Funding: No
    55-Year Use/Affordability: Yes
    Number of Units @ or below 50% of area median income: 32
    Number of Units @ or below 60% of area median income: 117

Bond Information

Issuer:	San Diego Housing Commission
Expected Date of Issuance:	October 1, 2014
Credit Enhancement:	No

Information

Housing Type:	Seniors
Geographic Area:	San Diego County
TCAC Project Analyst:	Mayra Lozano

Unit Mix

155 1-Bedroom Units
  1 2-Bedroom Units
156 Total Units

Unit Type & Number		2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
32	1 Bedroom	50%	50%	$740
117	1 Bedroom	60%	60%	$888
1	1 Bedroom	Manager's Unit	Manager's Unit	$0
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0
5	1 Bedroom	Market Rate Unit	Market Rate Unit	$866

Project Financing

Estimated Total Project Cost:	$38,333,234
Estimated Residential Project Cost:	$37,304,787
Estimated Commercial Project Cost	$1,028,447

Construction Financing

Source	Amount
Citi Community Capital	$17,825,000
Seller Carryback Loan	$9,070,000
Construction Period Income	$94,861
Tax Credit Equity	$9,182,737

Residential

Construction Cost Per Square Foot:	$89
Per Unit Cost:	$239,133

Permanent Financing

Source	Amount
Citi Community Capital	$17,825,000
Seller Carryback Loan	$9,070,000
Construction Period Income	$94,861
Tax Credit Equity	$11,343,373
TOTAL	**$38,333,234**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$14,795,910
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$16,280,000
Applicable Fraction:	96.75%
Qualified Basis (Rehabilitation):	$18,610,180
Qualified Basis (Acquisition):	$15,751,429
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	$625,302
Maximum Annual Federal Credit, Acquisition:	$529,248
Total Maximum Annual Federal Credit:	$1,154,550
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,400,000
Investor/Consultant:	Boston Capital Corporation
Federal Tax Credit Factor:	$0.98249

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:	$31,075,910
Actual Eligible Basis:	$31,075,910
Unadjusted Threshold Basis Limit:	$36,465,730
Total Adjusted Threshold Basis Limit:	$43,758,876

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: 21%

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 3.36% 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 project has five market rate units that are receiving HUD Section 8 rental subsidy and are below market rate rents but are considered market rate for TCAC purposes. The applicant anticipates these units will be converted to tax credit units by 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
$1,154,550	$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