

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 First Round

June 7, 2017

REVISED

Zephyr, located at 4370-4380 Alvarado Canyon Road in San Diego, requested and is being recommended for a reservation of \$1,642,446 in annual federal tax credits and \$4,151,515 in total state tax credits to finance the new construction of 84 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and will be located in Senate District 39 and Assembly District 79.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-17-061

Project Name Zephyr

Site Address: 4370-4380 Alvarado Canyon Road
San Diego, CA 92120 County: San Diego

Census Tract: 96.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,642,446	\$4,151,515
Recommended:	\$1,642,446	\$4,151,515

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Grantville Veteran Housing, L.P.
Contact: James Silverwood
Address: 4370-4380 Alvarado Canyon Road
San Diego, CA 92120
Phone: (858) 679-2828 Fax: (858) 679-9076
Email: jim@affirmedhousing.com

General Partner(s) / Principal Owner(s): Affirmed Housing Group, Inc.
NEXUS for Affordable Housing, Inc.

General Partner Type: Joint Venture

Parent Company(ies): Affirmed Housing Group, Inc.

Developer: Affirmed Housing Group, Inc.

Investor/Consultant: WNC

Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 85
 No. & % of Tax Credit Units: 84 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-Based Vouchers (84 units - 100%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 40%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 19 20 %
 40% AMI: 46 50 %
 50% AMI: 19 20 %

Information

Set-Aside: Special Needs/SRO
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 % of Special Need Units: 84 units 100%
 Geographic Area: San Diego County
 TCAC Project Analyst: Diane SooHoo

Unit Mix

79 SRO/Studio Units
 5 1-Bedroom Units
 1 2-Bedroom Units

 85 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 SRO/Studio	30%	30%	\$446
19 SRO/Studio	50%	30%	\$446
43 SRO/Studio	40%	40%	\$595
2 1 Bedroom	30%	30%	\$478
3 1 Bedroom	40%	40%	\$637
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$44,538,120

Project Cost Summary at Application

Land and Acquisition	\$10,940,000
Construction Costs	\$8,326,000
Rehabilitation Costs	\$0
Construction Contingency	\$833,000
Relocation	\$0
Architectural/Engineering	\$595,000
Const. Interest, Perm. Financing	\$1,049,000
Legal Fees, Appraisals	\$168,000
Reserves	\$1,643,000
Other Costs	\$2,271,500
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$27,225,500

Project Financing

Estimated Total Project Cost:	\$27,225,500
Estimated Residential Project Cost:	\$27,225,500
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$227
Per Unit Cost:	\$320,300
True Cash Per Unit Cost*:	\$320,300

Construction Financing

Source	Amount
JP Morgan Chase	\$18,291,962
San Diego Housing Commission	\$1,546,600
Deferred Costs	\$3,890,938
Tax Credit Equity	\$3,496,000

Permanent Financing

Source	Amount
CCRC	\$1,200,000
San Diego Housing Commission	\$3,000,000
HCD - VHHP	\$6,370,000
Tax Credit Equity	\$16,655,500
TOTAL	\$27,225,500

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,038,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$18,249,400
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,642,446
Total State Credit:	\$4,151,515
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	WNC
Federal Tax Credit Factor:	\$0.85141
State Tax Credit Factor:	\$0.64350

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:	\$14,038,000
Actual Eligible Basis:	\$14,038,000
Unadjusted Threshold Basis Limit:	\$15,659,932
Total Adjusted Threshold Basis Limit:	\$21,671,110

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
- 100% of Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	72.926%

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 meet 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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 proposed rents do not include a utility allowances. The owner will pay for all utilities.

The applicant has requested and been granted a waiver to use the standard vacancy rate of 5% instead of the special needs housing type vacancy rate of 10% for pro-forma purposes, TCAC Regulation Section 10325(g)(4)(H).

In the placed in service package, the applicant must demonstrate compliance with TCAC regulation section 10327(c)(10), basis related to parking. This includes number of parking spaces, a calculation of the applicable ratio, transit stop information, and documentation from a CPA of any required basis reduction in the final cost certification.

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.

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
\$1,642,446

State Tax Credits/Total
\$4,151,515

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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. 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. 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 fifteen 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) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Residents provided free or discounted transit passes, 1 pass per unit	3	3	3
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.