

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 27, 2009

Project Number CA-2009-811

Project Name Village Green Apartments
Address: 4140, 4150, and 4155 Bonillo Drive
San Diego, CA 92115 County: San Diego

Applicant Information

Applicant: Wakeland Village Green, L.P.
Contact Jack Farris
Address: 1230 Columbia Street, Suite 950
San Diego, CA 92101
Phone: (619) 677-2290 Fax: (619) 677-2292
Email: jfarris@wakelandhdc.com
Sponsors Type: Nonprofit

Information

Housing Type: Non-Targeted

Bond Information

Issuer: San Diego Housing Authority
Expected Date of Issuance: 8/27/2009
Credit Enhancement: None

Eligible Basis

Actual: \$16,733,983
Requested: \$16,733,983
Maximum Permitted: \$27,114,339

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
55-Year Use/Affordability Restriction – 1% for each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 10.86%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$660,845	\$0
Recommended:	\$660,845	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 93
Total # Residential Buildings: 12

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 92 units
 55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 50% of area median income: 10
 Number of Units @ or below 60% of area median income: 82

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 Two-Bedroom	50%	\$811
50 Two-Bedroom	60%	\$974
20 Two-Bedroom	60%	\$1,066
2 Three-Bedroom	50%	\$901
12 Three-Bedroom	60%	\$1,185
1 Two-Bedroom	Manager's unit	\$1,150

The general partner or principal owner is the Wakeland Village Green LLC

The project developer is Wakeland Village Green LP

The management services will be provided by ConAm Management Company

The market analysis was provided by Goldrush Realty Advisors, Inc.

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: \$20,081,379 Per Unit Cost: \$215,929 Construction Cost Per Sq. Foot: \$48

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank – Tax Exempt Bonds	\$9,664,172	US Bank– Tax Exempt Bonds	\$6,069,511
San Diego Redevelopment Agency	\$5,788,475	San Diego Redevelopment Agency	\$5,788,475
San Diego Housing Authority	\$2,011,525	San Diego Housing Authority	\$2,165,067
Deferred Interest On Public Debt	\$187,476	Deferred Interest On Public Debt	\$187,476
Project Income	\$229,136	Project Income	\$229,136
Investor Equity	\$1,050,743	Deferred Developer Fee	\$300,000
		Solar Rebates And Credit	\$88,000
		Investor Equity	\$5,253,714
		TOTAL	\$20,081,379

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$7,525,409
Requested Acquisition Eligible Basis:	\$9,208,574
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$9,783,032
Qualified Acquisition Basis:	\$9,208,574
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$338,545
Maximum Annual Federal Acquisition Credit:	\$322,300
Total Maximum Annual Federal Credit:	\$660,845
Approved Developer Fee:	\$1,200,000
Tax Credit Factor: <i>RED Capital Markets, Inc.</i>	\$.79499

Applicant requests and staff recommends annual federal credits of \$660,845, based on a qualified rehabilitation basis of \$9,672,714, a qualified acquisition basis of \$9,208,574, and a funding shortfall of \$5,253,714.

Cost Analysis and Line Item Review

The requested eligible basis \$16,733,983 is below TCAC's adjusted threshold basis limit \$18,991,606. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$660,845	\$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 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 and Educational Classes 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.

Project Analyst: David Navarrette