

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 11, 2012**

**Project Number** CA-12-837

**Project Name** Knox Glen Townhomes  
 Site Address: 4720-4770 Logan Avenue  
 San Diego, CA 92113 County: San Diego  
 Census Tract: 6073003302.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$318,902	\$0
Recommended:	\$318,902	\$0

**Applicant Information**

Applicant: Logan Development II, LP  
 Contact: Marco Vakili  
 Address: 1122 Broadway, Suite, 300  
 San Diego, CA 92101  
 Phone: 619-889-7560 Fax: 619-821-8178  
 Email: mvakili@hdparters.org

General partner(s) or principal owner(s): Housing Development Partners of San Diego  
 General Partner Type: Nonprofit  
 Developer: Housing Development Partners  
 Investor: Centerline Capital Group  
 Management Agent: Hyder Property Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 16  
 Total # of Units: 54  
 No. & % of Tax Credit Units: 53 100%  
 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: 24  
 Number of Units @ or below 60% of area median income: 29

**Bond Information**

Issuer: San Diego Housing Commission  
 Expected Date of Issuance: October 1, 2012  
 Credit Enhancement: Fannie Mae

**Information**

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

**Unit Mix**

9 2-Bedroom Units  
 31 3-Bedroom Units  
 14 4-Bedroom Units  


---

 54 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 2 Bedrooms	50%	51%	\$928
3 2 Bedrooms	60%	62%	\$1,114
12 3 Bedrooms	50%	49%	\$1,029
18 3 Bedrooms	60%	58%	\$1,205
6 4 Bedrooms	50%	47%	\$1,101
8 4 Bedrooms	60%	56%	\$1,295
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$10,555,241  
 Estimated Residential Project Cost: \$10,555,241

**Residential**

Construction Cost Per Square Foot: \$31  
 Per Unit Cost: \$195,467

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Centerline Capital	\$5,300,000
San Diego Housing Commission	\$2,618,500
Southeast Economic Dev. Corp.	\$221,174
Seller Note	\$653,967
Construction Period Income	\$323,842
Acquired Replacement Reserves	\$87,000
Deferred Developer Fee	\$66,276
Tax Credit Equity	\$1,817,741

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Centerline Capital	\$3,619,263
San Diego Housing Commission	\$2,618,500
Southeast Economic Dev. Corp.	\$221,174
Seller Note	\$653,967
Construction Period Income	\$323,842
Acquired Replacement Reserves	\$87,000
Deferred Developer Fee	\$1,926
Tax Credit Equity	\$3,029,569
<b>TOTAL</b>	<b>\$10,555,241</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$3,718,332
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,132,850
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,833,832
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$5,132,850
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$154,651
Maximum Annual Federal Credit, Acquisition:	\$164,251
Total Maximum Annual Federal Credit:	\$318,902
Approved Developer Fee in Project Cost:	\$1,155,500
Approved Developer Fee in Eligible Basis:	\$1,147,849
Investor:	Centerline Capital Group
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:	\$8,851,182
Actual Eligible Basis:	\$8,851,182
Unadjusted Threshold Basis Limit:	\$18,067,098
Total Adjusted Threshold Basis Limit:	\$26,197,292

**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: 45%

**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 with the exception of developer fee, see the "Special Issues/Other Significant Information" section. Annual operating expenses meet/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 developer fee in project costs exceed the 15% limit required by regulation. Staff adjusted accordingly.

**Local Reviewing Agency:**

The Local Reviewing Agency, the 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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$318,902</b>	<b>\$0</b>

**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