

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Granger Apartments, located at 2700 East 8th Street in National City, requested and is being recommended for a reservation of \$1,512,295 in annual federal tax credits to finance the acquisition and rehabilitation of 178 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by SDG Housing Partners and is located in Senate District 40 and Assembly District 79.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-942

Project Name Granger Apartments
 Site Address: 2700 East 8th Street
 National City, CA 91950 County: San Diego
 Census Tract: 120.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,512,295	\$0
Recommended:	\$1,512,295	\$0

Applicant Information

Applicant: Granger Housing, L.P.
 Contact: June Park
 Address: 1600 Rosecrans Avenue, Media Center 4th Floor
 Manhattan Beach, CA 90266
 Phone: 310-321-7862 Fax: 310-321-7810
 Email: June@sdghousing.com

General Partner(s) or Principal Owner(s): AHA San Diego MGP, LLC
 Granger Housing, LLC

General Partner Type: Joint Venture

Parent Company(ies): Affordable Housing Access, Inc.
 SDG Housing Partners

Developer: SDG Housing Partners

Investor/Consultant: Raymond James

Management Agent: US Residential

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 14
 Total # of Units: 180
 No. & % of Tax Credit Units: 178 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (163 Units - 90%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 27
 Number of Units @ or below 60% of area median income: 151

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: November 2, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

160 1-Bedroom Units
 20 2-Bedroom Units

 180 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
24 1 Bedroom	50%	50%	\$796
126 1 Bedroom	60%	60%	\$956
9 1 Bedroom	60%	60%	\$956
3 2 Bedrooms	50%	50%	\$956
10 2 Bedrooms	60%	60%	\$1,147
6 2 Bedrooms	60%	60%	\$1,147
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$34,575,000
Construction Costs	\$0
Rehabilitation Costs	\$6,201,360
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$280,000
Const. Interest, Perm. Financing	\$1,948,678
Legal Fees, Appraisals	\$250,000
Reserves	\$646,355
Other Costs	\$672,061
Developer Fee	\$5,683,875
Commercial Costs	\$0
Total	\$50,257,329

Project Financing

Estimated Total Project Cost:	\$50,257,329
Estimated Residential Project Cost:	\$50,257,329
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$56
Per Unit Cost:	\$279,207
True Cash Per Unit Cost*:	\$255,701

Construction Financing

Source	Amount
Citibank - Tranche A	\$28,862,200
Citibank - Tranche B	\$11,500,000
General Partner Equity	\$100
Deferred Costs	\$305,205
Deferred Developer Fee	\$4,231,093
Tax Credit Equity	\$5,358,731

Permanent Financing

Source	Amount
Citibank - Tranche A	\$28,862,200
Net Operating Income	\$528,691
General Partner Equity	\$100
Deferred Developer Fee	\$4,231,093
Tax Credit Equity	\$16,635,245
TOTAL	\$50,257,329

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,852,623
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$33,723,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$12,808,410
Qualified Basis (Acquisition):	\$33,723,750
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$416,273
Maximum Annual Federal Credit, Acquisition:	\$1,096,022
Total Maximum Annual Federal Credit:	\$1,512,295
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,683,875
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$1.10000

Per Regulation Section 10322(h)(9)(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:	\$43,576,373
Actual Eligible Basis:	\$43,576,373
Unadjusted Threshold Basis Limit:	\$42,617,120
Total Adjusted Threshold Basis Limit:	\$49,009,688

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: 15%

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 3.25% 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 applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% due to being excessively expense. The project shall provide 5% of units (9 units) meeting the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use except for the requirements to switch the locations of the toilet and sink in each unit's bathroom, to relocate the existing bath tub, and any requirement which necessitates the moving of load-bearing walls. The project will provide the full 4% of units (8 units) with communications accessibility feature.

Local Reviewing Agency

The Local Reviewing Agency, the City of National City, 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
\$1,512,295	\$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.