

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
August 6, 2024**

Kindred, located at 1501 6th Avenue in San Diego on a 0.69 acre site, requested and is being recommended for a reservation of \$4,425,081 in annual federal tax credits and \$17,271,066 in total state tax credits and \$45,819,803 of tax-exempt bond cap to finance the new construction of 126 units of housing, consisting of 125 restricted rental units and 1 unrestricted manager's unit. The project will have 89 one-bedroom units, 19 two-bedroom units, and 18 three-bedroom units, serving special needs tenants with rents affordable to households earning 30%-60% of area median income (AMI). The proposed project will consist of one 8-story building with 5 levels of Type III over 3 levels of Type I construction partially above grade with a retaining wall on the east side and portions of the north and south sides. Common amenities include two large community rooms with full kitchens, seating and a media area, outdoor open spaces on two large decks, a community garden, barbecue grills with tables and benches, two play structures, laundry facilities, management offices, a central mailing room, services offices and a conference room. Each unit will have energy efficient ranges, refrigerators, dishwashers, HVAC system, dual pane windows, low VOC paints and mobility features. The construction is expected to begin in February 2025 and be completed in November 2026. The project will be developed by BRIDGE Housing Corporation and will be located in Senate District 39 and Assembly District 77.

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

Project Number CA-24-525

Project Name Kindred
Site Address: 1501 6th Avenue
San Diego, CA 92101
County: San Diego
Census Tract: 56.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$4,425,081	\$17,271,066
Recommended:	\$4,425,081	\$17,271,066

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Tax-Exempt Bond Allocation
Recommended: \$45,819,803

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: BRIDGE Housing Corporation
Contact: Cristina Martinez
Address: 600 California Street, Suite 900
San Francisco, CA 94108
Phone: 619.677.5828
Email: cmartinez@bridgehousing.com

Bond Financing Information

CDLAC Applicant/Bond Issuer:	California Housing Finance Agency
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser:	JP Morgan Chase Bank, N. A.

Development Team

General Partner(s) or Principal Owner(s):	Kindred Cortez Hill LLC
General Partner Type:	Nonprofit
Parent Company(ies):	BRIDGE Housing Corporation
Developer:	BRIDGE Housing Corporation
Investor/Consultant:	California Housing Partnership
Management Agent:	BRIDGE Property Management Company

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	1	
Total # of Units:	126	
No. / % of Low Income Units:	125	100.00%
Average Targeted Affordability:	40.40%	
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (84 Units - 67%)	

Information

Housing Type:	Special Needs
Geographic Area:	San Diego County
State Ceiling Pool:	New Construction
Set Aside:	Homeless Set Aside
Homeless Set Aside Units:	63
CDLAC Project Analyst:	Sarah Lester
CTCAC Project Analyst:	Nick White

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	63	50%
40% AMI:	22	18%
50% AMI:	12	10%
60% AMI:	28	22%

Unit Mix

89 1-Bedroom Units
19 2-Bedroom Units
<u>18 3-Bedroom Units</u>
126 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
59 1 Bedroom	30%	\$775
4 1 Bedroom	40%	\$1,034
7 1 Bedroom	50%	\$1,292
5 1 Bedroom	60%	\$1,551
2 2 Bedrooms	30%	\$930
3 2 Bedrooms	40%	\$1,241
2 2 Bedrooms	50%	\$1,551
11 2 Bedrooms	60%	\$1,861
2 3 Bedrooms	30%	\$1,075
1 3 Bedrooms	40%	\$1,433
3 3 Bedrooms	50%	\$1,791
12 3 Bedrooms	60%	\$2,150
14 1 Bedroom	40%	\$1,034
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$90,360
Construction Costs	\$54,876,009
Construction Hard Cost Contingency	\$5,449,181
Soft Cost Contingency	\$573,393
Architectural/Engineering	\$3,675,777
Const. Interest, Perm. Financing	\$8,983,202
Legal Fees	\$190,881
Reserves	\$902,092
Other Costs	\$4,596,970
Developer Fee	\$11,273,799
Commercial Costs	\$1,492,383
Total	\$92,104,047

Residential

Construction Cost Per Square Foot:	\$492
Per Unit Cost:	\$719,140
Estimated Hard Per Unit Cost:	\$395,840
True Cash Per Unit Cost*:	\$654,695
Bond Allocation Per Unit:	\$363,649
Bond Allocation Per Restricted Rental Unit:	\$366,558

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Chase: Tax-Exempt	\$45,819,803	Chase: Tax-Exempt	\$17,154,000
Chase: Recycled Tax-Exempt	\$1,500,000	County of San Diego	\$4,000,000
Chase: Taxable	\$12,074,984	San Diego Housing Commission	\$7,955,600
County of San Diego	\$3,600,000	Deferred Developer Fee	\$8,253,799
San Diego Housing Commission	\$7,160,040	Tax Credit Equity	\$54,740,648
Deferred Costs	\$2,909,291	TOTAL	\$92,104,047
Deferred Developer Fee	\$8,253,799		
Tax Credit Equity	\$10,786,130		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$85,097,712
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$110,627,026
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$4,425,081
Total State Credit:	\$17,271,066
Approved Developer Fee (in Project Cost & Eligible Basis):	\$11,273,799
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.90530
State Tax Credit Factor:	\$0.85000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

CTCAC Significant Information / Additional Conditions

Staff noted a per unit development cost of \$654,695. The applicant noted that this cost is attributed to prevailing wage costs, new shoring, potential contaminated soil, commercial costs and hard cost escalation.

CDLAC Analyst Comments

None

Resyndication and Resyndication Transfer Event. None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	10
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	120

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 88.461%