

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2025 First Round**

**June 18, 2025**

Serra Mesa Apartments, located at 3440 Sandrock Road in San Diego, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 59 units of housing serving special needs tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Community HousingWorks and will be located in Senate District 39 and Assembly District 89.

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

**Project Number** CA-25-023

**Project Name** Serra Mesa Apartments  
Site Address: 3440 Sandrock Road  
San Diego, CA 92123  
County: San Diego  
Census Tract: 92.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

**Applicant Information**

Applicant: Community HousingWorks  
Contact: Kevin Leichner  
Address: 3111 Camino del Rio N, Suite 800  
San Diego, CA 92108  
Phone: 619-795-0213  
Email: kleichner@chworks.org  
  
General Partner / Principal Owner: CHW Sandrock Road, LLC  
General Partner Type: Nonprofit  
Parent Company: Community HousingWorks  
Developer: Community HousingWorks  
Investor/Consultant: California Housing Partnership  
Management Agents: ConAm Management Corp.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 60  
No. & % of Tax Credit Units: 59 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HUD VASH Section 8 Project-based Vouchers (30 Units - 50%)

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 At least 20% 1-bedroom units and 10% larger than 1-bedroom units  
 Type of Special Needs: Veterans at risk of homelessness  
 Average Targeted Affordability of Special Needs Project Units: 40.00%  
 % of Special Need Units: 30 units 50.85%  
 Geographic Area: San Diego County  
 CTCAC Project Analyst: Jacob Paixao

**55-Year Use / Affordability**

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	16	25%
At or Below 50% AMI:	15	25%
At or Below 60% AMI:	28	45%

**Unit Mix**

56	1-Bedroom Units
4	2-Bedroom Units
60	Total Units

<u>Unit Type &amp; Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	\$852
15 1 Bedroom	50%	\$1,420
10 1 Bedroom	60%	\$1,704
1 1 Bedroom	60%	\$1,704
2 2 Bedrooms	60%	\$2,046
10 1 Bedroom	30%	\$852
1 2 Bedrooms	30%	\$1,023
15 1 Bedroom	60%	\$1,704
1 2 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$4,779,740
Construction Costs	\$24,939,417
Rehabilitation Costs	\$0
Construction Contingency	\$1,696,370
Relocation	\$0
Architectural/Engineering	\$1,695,000
Const. Interest, Perm. Financing	\$3,788,993
Legal Fees	\$241,627
Reserves	\$388,141
Other Costs	\$3,242,643
Developer Fee	\$2,800,000
Commercial Costs	\$0
<b>Total</b>	<b>\$43,571,931</b>

## Residential

Construction Cost Per Square Foot:	\$714
Per Unit Cost:	\$726,199
True Cash Per Unit Cost*:	\$726,199

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
U.S. Bank	\$28,482,001	U.S. Bank	\$9,881,000
SDHC <sup>1</sup>	\$2,250,000	SDHC <sup>1</sup>	\$2,500,000
COSD <sup>2</sup> : Ground Lease	\$4,100,000	COSD <sup>2</sup> : Ground Lease	\$4,100,000
COSD <sup>2</sup> : Bridge to Home	\$3,600,000	COSD <sup>2</sup> : Bridge to Home	\$4,000,000
Waived Fee	\$852,831	Waived Fee	\$852,831
Deferred Costs	\$2,298,999	General Partner Equity	\$100
General Partner Equity	\$100	Tax Credit Equity	\$22,238,000
Tax Credit Equity	\$1,988,000	<b>TOTAL</b>	<b>\$43,571,931</b>

\*Less Donated Land, Waived Fees, Seller Carryback Loans, and Deferred Developer Fee

<sup>1</sup>San Diego Housing Commission

<sup>2</sup>City of San Diego

### Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,367,522
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,779
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,800,000
Federal Tax Credit Factor:	\$0.88952

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

### Tie-Breaker Information

First:	<b>Special Needs</b>
Self-Score Final:	<b>70.873%</b>
CTCAC Final:	<b>70.873%</b>

### Significant Information / Additional Conditions

Staff noted a per unit development cost of \$726,199. The applicant noted that the per unit cost is attributed to prevailing wages, high cost of multiple key materials, and construction cost.

The project's 3-month operating reserve is less than the amount required under regulation section 10327(c)(7)(B) by \$305,597. Under regulation section 10327(a), initial application errors of up to the higher of \$100,000 or 50% of the contingency line item shall be deemed covered by the contingency line item. However, at the submission of the next updated CTCAC application required by CTCAC, and all subsequent submissions to CTCAC, including the placed-in-service submission for the issuance of the IRS 8609 forms, the applicant must fund the 3-month operating reserve at a level that meets the requirement of regulation section 10327(c)(7)(B).

**Resyndication and Resyndication Transfer Event:** None.

### **Local Reviewing Agency**

The Local Reviewing Agency, San Diego Housing Commission, has completed a site review of this project and strongly supports this project.

### **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.

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 performance deposit and allocation 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.

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 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>10</b>	<b>10</b>	<b>10</b>
General Partner Experience	7	7	7
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/2 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1 1/2 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of an adult education campus or community college	3	3	3
Special Needs project within 1/2 mile of facility serving tenant population	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
<b>SPECIAL NEEDS, SRO HOUSING TYPES</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>109</b>	<b>109</b>	<b>109</b>

**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 REAPPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**