

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2009 Gap Financing – Section 1602 Funds**  
**January 27, 2010**

**Project Number** CA-2010-525

**Project Name** South Mill Creek Apartments  
**Address:** 1401 S Street  
Bakersfield, CA 93301 County: Kern

**Applicant Information**

**Applicant:** Chelsea Investment Corporation and  
Pacific Southwest Community Development Corporation  
On behalf of CIC South Mill Creek, L.P.  
**Contact** Erin Autry Montgomery  
**Address:** 5993 Avenida Encinas, Suite 101  
Carlsbad, CA 92008  
**Phone:** (760) 456-6000 Fax: (760) 456-6001 Email: erin@chelseainvestco.com

**General Partners Type:** Joint Venture  
The general partners or principal owners are Pacific Southwest Community Development Corporation and  
CIC South Mill Creek, LLC.

**Project Information**

**Housing Type:** Large Family  
**Construction Type:** New Construction  
**Rental/Operating Subsidy:** None  
**HCD MHP Funding:** Yes  
**Total # of Units:** 70  
**Total # Residential Buildings:** 11  
**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 69 units  
**Proposed Average Affordability:** 43.7386%

**Davis-Bacon Required:** Yes

**NEPA Required:** Yes

**State Prevailing Wages Required:** Yes

**15% Prevailing Wage Adjustment:** N/A

**2009 TCAC Project Number:** CA-2009-858

**2009 Annual Federal Tax Credits Reserved:** \$534,752

**2009 Federal Tax Credits Retained:** \$534,752

**Amount of Gap Financing Requested:** \$731,000 \* See Special Issues section below.

**Calculated Amount of Gap Financing (\$0.12 max.):** \$641,702 ( $\$534,752 \times 10 \times \$0.12$ ) = \$641,702

**Current Net Equity Factor:** \$0.73 Fed

**Original Net Equity Factor:** \$0.85 Fed

**Amount of Gap Financing Recommended:** \$641,702 ARRA 1602 Gap Funds

**Special Issues:** \* In determining the ARRA Gap request, the applicant based the figure (\$731,000) on a tax credit figure higher than the reserved tax credits of \$534,753. The ARRA Gap financing is limited to a maximum of \$0.12 of the reserved credit figure (\$534,753) under regulation section 10323(c)(2). Staff adjusted accordingly.

ARRA Scoring Criteria	Max. Possible Points	Points Awarded
<b>Housing Type Points (Maximum of 50 points)</b>		
<input checked="" type="checkbox"/> Large Family	<b>10</b>	<b>10</b>
<b>Total Project Cost/Cash Request Points (Maximum of 100 points)</b>		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$15,672,709		
Cash Award Request: \$731,000		
Total Points Awarded: $100 - (\$731,000 / \$15,672,709 \times 100) = 95.3358$	<b>100</b>	<b>95.3358</b>
<b>Total Average Affordability Points (Maximum of 100 points)</b>		
<b>Projects Original Proposed Average Affordability: 43.7386%</b>		
$60\% - \text{Average Affordability} \times 5 \text{ Points} = (60\% - 43.7386\%) \times 5 = 100$	<b>100</b>	<b>81.3070</b>
<b>Total 15-Year Project-Based Rental Assistance Points (Maximum of 25 points)</b>		
<input type="checkbox"/> Project with Less than 100% 15-Year Project-Based Rental Assistance: 0%	<b>25</b>	<b>0</b>
<b>Total Points</b>	<b>275</b>	<b>186.6428</b>

**Income/Rent Targeting**

55-Year Use/Affordability Restriction: Yes  
 Number of Units @ or below 30% of area median income: 7  
 Number of Units @ or below 40% of area median income: 29  
 Number of Units @ or below 50% of area median income: 33

<b>Unit Type &amp; Number</b>	<b>2009 Rents Targeted % of Area Median Income</b>	<b>2009 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 One-bedroom Unit	30%	30%	\$313
4 One-bedroom Units	40%	40%	\$418
5 One-bedroom Units	50%	50%	\$523
2 Two-bedroom Units	30%	30%	\$376
10 Two-bedroom Units	40%	40%	\$502
12 Two-bedroom Units	50%	50%	\$627
4 Three-bedroom Units	30%	30%	\$435
15 Three-bedroom Units	40%	40%	\$580
16 Three-bedroom Units	50%	50%	\$725
1 Three-bedroom Unit	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$15,762,709 Per Unit Cost: \$225,182

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Rabobank	\$9,171,637	Rabobank	\$1,592,000
City of Bakersfield - Land Note	\$659,999	City of Bakersfield - Land Note	\$659,999
Bakersfield Redevelopment Agency	\$2,450,000	Bakersfield Redevelopment Agency	\$2,450,000
Deferred Developer Fee	\$388,482	HCD MHP	\$4,600,000
Investor Equity	\$1,929,900	Deferred Developer Fee	\$583,613
		FHLB – AHP	\$690,000
		Investor Equity	\$4,545,395
		TCAC ARRA Award (1602 Gap)	\$641,702
		<b>TOTAL</b>	<b>\$15,762,709</b>

**Income and Expense Statement for Year 1**

<b>Gross Residential Rents:</b>	\$442,848
<b>Total Rental Subsidy Income:</b>	\$0
<b>Miscellaneous Income:</b>	\$10,080
<b>Total Vacancy Rate Loss:</b>	(\$22,646)
<b>Total Effective Gross Income:</b>	\$430,282
<b>Less Total Expenses/Reserves:</b>	\$266,000
<b>Net Operation Income:</b>	\$164,282
<b>Debt Service:</b>	\$145,070 *
<b>Net Cash Flow</b>	\$19,212
<b>Debt Service Ratio:</b>	1.13 to 1

\* Includes conventional debt service, HCD-MHP debt service, and annual limited partnership fee.

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

**Standard Conditions**

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Section 1602 funds for the project. This Conditional Reservation would not constitute a commitment. The provision of any funds is conditioned on TCAC's determination to proceed with, modify or cancel the project based on further underwriting and review.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.

**Special Conditions**

The applicant is required to have the project meet the large family housing type requirements of regulation section 10325(g)(1) and to provide TCAC with documentation that the project meets said requirements, in conjunction with the 10 points awarded under housing type in the ARRA competition.