

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015

Mill Creek Village, located at 508 18th Street in Bakersfield, CA, requested and is being recommended for a reservation of \$874,638 in annual federal tax credits to finance the new construction of 62 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will be located in Senate District 16 and Assembly District 34.

The project financing includes state funding from the IIG and AHSC programs of HCD.

Project Number CA-15-901

Project Name Mill Creek Village
Site Address: 508 18th Street
 Bakersfield, CA 93301 County: Kern
Census Tract: 16.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$874,638	\$0
Recommended:	\$874,638	\$0

Applicant Information

Applicant: Mill Creek Village CIC, LP
Contact: Cheri Hoffman
Address: 5993 Avenida Encinas, Suite 101
 Carlsbad, CA 92008
Phone: 760-456-6000 **Fax:** 760-456-6001
Email: cheri@chelseainvestco.com

General Partner(s) or Principal Owner(s): Pacific Southwest Community Development Corp.
 CIC Mill Creek Village, LLC

General Partner Type: Joint Venture

Parent Company(ies): Pacific Southwest Community Development Corp.
 Chelsea Investment Corporation

Developer: Chelsea Investment Corporation

Investor/Consultant: Richman Group

Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 63
 No. & % of Tax Credit Units: 62 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 38
 Number of Units @ or below 60% of area median income: 24

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: October 21, 2015
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

51 1-Bedroom Units
 12 2-Bedroom Units

 63 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
16 1 Bedroom	60%	55%	\$587
35 1 Bedroom	50%	50%	\$534
8 2 Bedrooms	60%	55%	\$705
3 2 Bedrooms	50%	50%	\$641
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,912,149
Construction Costs	\$11,859,590
Rehabilitation Costs	\$0
Construction Contingency	\$592,979
Relocation	\$0
Architectural/Engineering	\$151,500
Construction Interest, Perm Financing	\$1,017,141
Legal Fees, Appraisals	\$217,000
Reserves	\$145,299
Other Costs	\$613,224
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$22,008,882

Project Financing

Estimated Total Project Cost:	\$22,008,882
Estimated Residential Project Cost:	\$22,008,882

Residential

Construction Cost Per Square Foot:	\$248
Per Unit Cost:	\$349,347

Construction Financing

Source	Amount
Rabobank	\$13,000,000
City of Bakersfield*	\$6,057,149
Accrued Interest	\$142,314
Deferred Costs	\$1,563,184
Tax Credit Equity	\$1,246,235

Permanent Financing

Source	Amount
Rabobank	\$250,000
City of Bakersfield*	\$10,593,333
Accrued Interest	\$142,314
HCD - AHSC Loan	\$2,130,394
HCD - AHSC Grant	\$429,000
Deferred Developer Fee	\$155,610
Tax Credit Equity	\$8,308,231
TOTAL	\$22,008,882

* Includes HCD - IIG, HOME, and City funds

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,387,835
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,504,185
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$874,638
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Richman Group
Federal Tax Credit Factor:	\$0.94991

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:	\$20,387,835
Actual Eligible Basis:	\$20,387,835
Unadjusted Threshold Basis Limit:	\$13,548,018
Total Adjusted Threshold Basis Limit:	\$27,029,480

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 61%

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 exceeds 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 3.30% 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 proposed rents do not include any utility allowance. The owner will pay for all utilities.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Bakersfield, has completed a site review of this project and 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
\$874,638	\$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.