CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2016

Mesa Verde, located at 7811 Mission Gorge Road in San Diego, requested and is being recommended for a reservation of $1,072,356 in annual federal tax credits to finance the new construction of 89 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 Chelsea Investment Corporation and will be located in Senate District 39 and Assembly District 77.

Project Number	CA-16-826	
Project Name	Mesa Verde	
Site Address:	7811 Mission Gorge Rd.	
	San Diego, CA 92120	County: San Diego
Census Tract:	95.070	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,072,356	$0
Recommended:	$1,072,356	$0

Applicant Information

Applicant:	Mesa Verde 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):	CIC Mesa Verde, LLC
	Southern California Housing Collaborative
General Partner Type:	Joint Venture
Parent Company(ies):	Chelsea Investment Corporation
	Southern California Housing Collaborative
Developer:	Chelsea Investment Corporation
Investor/Consultant:	Candeur Group, LLC
Management Agent:	CIC Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	90
No. & % of Tax Credit Units:	89 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 9
Number of Units @ or below 60% of area median income: 80

Bond Information

Issuer:	Housing Authority of San Diego
Expected Date of Issuance:	March 21, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

3	SRO/Studio Units
24	1-Bedroom Units
36	2-Bedroom Units
27	3-Bedroom Units
90	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	60%	60%	$850
1	SRO/Studio	50%	50%	$708
22	1 Bedroom	60%	60%	$911
2	1 Bedroom	50%	50%	$759
32	2 Bedrooms	60%	60%	$1,093
4	2 Bedrooms	50%	50%	$911
24	3 Bedrooms	60%	58%	$1,215
2	3 Bedrooms	50%	48%	$1,012
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$7,200,500
Construction Costs	$16,637,753
Rehabilitation Costs	$0
Construction Contingency	$1,006,888
Relocation	$0
Architectural/Engineering	$477,136
Const Interest, Perm Financing	$1,582,334
Legal Fees, Appraisals	$290,000
Reserves	$242,423
Other Costs	$2,403,111
Developer Fee	$3,260,432
Commercial Costs	$0
Total	**$33,100,577**

Project Financing

Estimated Total Project Cost:	$33,100,577
Estimated Residential Project Cost:	$33,100,577

Residential

Construction Cost Per Square Foot:	$207
Per Unit Cost:	$367,784

Construction Financing

Source	Amount
Citibank - Tax Exempt Bonds	$21,400,000
San Diego Housing Commission	$9,120,000
Accured Soft Loan Interest	$250,740
Deferred Fees and Costs	$1,555,380
Tax Credit Equity	$774,457

Permanent Financing

Source	Amount
Citibank - Tax Exempt Bonds	$7,436,000
Citibank Subordinate Loan	$1,800,000
San Diego Housing Commission	$9,600,000
Accured Soft Loan Interest	$250,740
Deferred Developer Fee	$2,044,603
Solar Tax Credit Equity	$119,700
Tax Credit Equity	$11,849,534
TOTAL	**$33,100,577**

Determination of Credit Amount(s)

Requested Eligible Basis:	$24,996,647
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$32,495,641
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	$1,072,356
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,260,432
Investor/Consultant:	Candeur Group, LLC
Federal Tax Credit Factor:	$1.10500

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:	$24,996,647
Actual Eligible Basis:	$24,996,647
Unadjusted Threshold Basis Limit:	$27,191,166
Total Adjusted Threshold Basis Limit:	$36,080,454

Adjustments to Basis Limit

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: 10%

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 3.30% 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 applicant's estimate of contractor profit, overhead and general requirement costs slightly exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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**
$1,072,356	**$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: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under any one of the following programs:
Leadership in Energy & Environmental Design (LEED).
- The project will commit to having at least one (1) nonsmoking building. If the project only has one (1) building, it will be subject to a policy developed by the Sponsor that prohibits smoking in contiguous designated units. These restrictions will be incorporated into the lease agreements for the appropriate units.
- The project will commit to having a parking ratio equivalent to or less than 1 parking stall per single room occupancy or one-bedroom restricted rental unit and 1.5 parking stalls per two-bedroom or larger restricted rental unit.