

**Project Staff Report
2017 Second Round
September 20, 2017**

Ramona Seniors Apartments, located on the East Side of 16th Street between Main Street and F Street in Ramona, requested and is being recommended for a reservation of \$968,717 in annual federal tax credits and \$3,229,058 in total state tax credits to finance the new construction of 61 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will be located in Senate District 38 and Assembly District 71.

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

Project Number CA-17-103

Project Name Ramona Seniors Apartments
Site Address: East Side of 16th Street between Main Street and F Street
Ramona, CA 92065 County: San Diego
Census Tract: 208.060

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$968,717	\$3,229,058
Recommended:	\$968,717	\$3,229,058

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Chelsea Investment Corporation
Contact: Randy Slabbers
Address: 6339 Paseo del Lago
Carlsbad, CA 92011
Phone: 760-456-6000 **Fax:** 760-456-6001
Email: rslabbers@chelseainvestco.com

General Partner(s) / Principal Owner(s): CIC Ramona Seniors, LLC
Ramona SHC Housing, LLC
General Partner Type: Joint Venture
Parent Company(ies): Chelsea Investment Corporation
Senior Housing Corporation
Developer: Chelsea Investment Corporation
Investor/Consultant: Union Bank
Management Agent(s): CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 62
 No. & % of Tax Credit Units: 61 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (61 Units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 8 10 %
 35% AMI: 7 10 %
 40% AMI: 7 10 %
 45% AMI: 7 10 %
 50% AMI (Rural): 32 50 %

Information

Set-Aside: Rural apportionment (HOME)
 Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Zhuo Chen

Unit Mix

50 1-Bedroom Units
 12 2-Bedroom Units

 62 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
26 1 Bedroom	50%	50%	\$853
6 1 Bedroom	45%	45%	\$767
6 1 Bedroom	40%	40%	\$682
6 1 Bedroom	35%	35%	\$597
6 1 Bedroom	30%	30%	\$511
6 2 Bedrooms	50%	50%	\$1,023
1 2 Bedrooms	45%	45%	\$921
1 2 Bedrooms	40%	40%	\$819
1 2 Bedrooms	35%	35%	\$716
2 2 Bedrooms	30%	30%	\$614
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$10,367,280

Project Cost Summary at Application

Land and Acquisition	\$2,140,000
Construction Costs	\$9,851,381
Rehabilitation Costs	\$0
Construction Contingency	\$492,569
Relocation	\$0
Architectural/Engineering	\$628,895
Const. Interest, Perm. Financing	\$1,045,133
Legal Fees, Appraisals	\$187,500
Reserves	\$206,265
Other Costs	\$3,416,830
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$20,168,573

Project Financing

Estimated Total Project Cost:	\$20,168,573
Estimated Residential Project Cost:	\$20,168,573
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$241
Per Unit Cost:	\$325,300
True Cash Per Unit Cost*:	\$324,997

Construction Financing

Source	Amount
Union Bank	\$15,218,740
County of San Diego - HOME	\$1,656,000
AHP	\$610,000
Deferred Fees and Costs	\$1,472,936
Tax Credit Equity	\$1,210,897

Permanent Financing

Source	Amount
Union Bank - Tranche A	\$1,964,000
Union Bank - Tranche B	\$4,918,491
County of San Diego - HOME	\$1,840,000
AHP	\$610,000
Deferred Developer Fee	\$18,738
Tax Credit Equity	\$10,817,344
TOTAL	\$20,168,573

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,763,527
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$968,717
Total State Credit:	\$3,229,058
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.85000
State Tax Credit Factor:	\$0.80000

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,763,527
Actual Eligible Basis:	\$16,415,904
Unadjusted Threshold Basis Limit:	\$13,512,150
Total Adjusted Threshold Basis Limit:	\$19,982,584

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Final:	44.099%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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: None.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, the County of San Diego Housing and Community Development Services, has completed a site review of this project and strongly 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
\$968,717	\$3,229,058

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.

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 performance deposit and allocation 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.

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 points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. 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.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Other Services Specialist, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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 RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.