

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2009 Single Round Cycle**  
**Tax-Exempt Bond Project with State Credits**  
**September 10, 2009**

**Project Number** CA-2009-829

**Project Name** Oakridge Apartments

Site Address: 10 Willowood Drive  
Oakdale, CA 95361

County: Stanislaus

Census Tract: 0002.01

**Applicant Information**

Applicant: Chelsea Investment Corp. and Pacific Southwest Community Development Corp.

Contact: Erin Autry  
c/o Chelsea Investment Corporation

Address: 5993 Avenida Encinas, Suite 101  
Carlsbad, CA 92008

Phone: (760) 456-6000 Fax: (760) 456-6001

Email: eautry@chelseainvestco.com

Sponsors Type: Joint Venture

**Information**

Housing Type: At-Risk

**Bond Information**

Issuer: California Municipal Finance Authority

Expected Date of Issuance: October 1, 2009

Credit Enhancement: N/A

**Tax Credit Amounts**

**Federal/Annual**

**State/Total**

Requested: \$167,925 \$622,755

Recommended: \$167,899 \$622,755

**Project Information**

Construction Type: Acquisition and Rehabilitation

Federal Subsidy: Tax-Exempt / USDA RHS 515 & 538

HCD MHP Funding: No

Total # of Units: 41

Total # Residential Buildings: 3

Federal Setaside Elected: 40%/60%

% & No. of Targeted Units: 100% - 40 units

55-Year Use/Affordability Restriction: Yes

**Eligible Basis**

Actual: \$4,797,119

Requested: \$4,797,119

Maximum Permitted: \$13,495,090

**Adjustments to Threshold Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted  
Between 50% AMI & 36% AMI: 60%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at  
35% AMI or Below: 20%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<b>Owner/Management Characteristics</b> <b>Maximum of 9 points</b>	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b>Housing Needs</b> <b>Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b> <b>Maximum of 15 points</b>	<b>15</b>	<b>13</b>	<b>13</b>
<input checked="" type="checkbox"/> Within 500 feet of a regular bus stop or rapid transit system stop	4	4	4
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Large Family project within ½ mile of public school that project children may attend	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of a pharmacy	1	1	1
<b>Service Amenities</b> <b>Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> After school programs of an ongoing nature for school age children	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After	5	5	5
<b>Sustainable Building Methods</b> <b>Maximum of 8 points</b>	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<b>Lowest Income</b> <b>Maximum of 52 points</b>	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b> <b>Maximum of 20 points</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Total Points</b>	<b>124</b>	<b>122</b>	<b>122</b>

<u>Unit Type &amp; Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 One-Bedroom	60%	\$665
5 One-Bedroom	50%	\$558
10 One-Bedroom	40%	\$447
2 One-Bedroom	30%	\$335
5 Two-Bedroom	53%	\$697
3 Two-Bedroom	50%	\$670
6 Two-Bedroom	40%	\$536
2 Two-Bedroom	30%	\$402
1 Two-Bedroom	Manager's Unit	\$0

The general partners or principal owners are CIC Oakridge, LLC and Pacific Southwest Community Development Corporation.

The project developer is Chelsea Investment Corporation.

The management services will be provided by CIC Management, Inc.

The market analysis was provided by PGP Valuation, Inc.

The Local Reviewing Agency, the city of Oakdale Redevelopment Agency, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$5,480,875    Per Unit Cost: \$133,681    Construction Cost Per Sq. Foot: \$32

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Bonneville Mortgage – RHS 538	\$2,713,424	Bonneville Mortgage – RHS 538	\$1,361,470
City of Oakdale RDA	\$500,000	City of Oakdale RDA	\$1,000,000
USDA RHS – 515 Assumed	\$778,000	USDA RHS – 515 Assumed	\$778,000
Deferred Developer Fee	\$299,913	USDA RHS – 515 New Loan	\$820,000
Investor Equity	\$1,189,600	Deferred Developer Fee	\$34,735
		Investor Equity	\$1,486,670
		<b>TOTAL</b>	<b>\$5,480,875</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$1,922,119
Requested Eligible Basis (Acquisition):	\$2,875,000
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis (Rehabilitation):	\$1,922,119
Qualified Basis (Acquisition):	\$2,875,000
Applicable Rate:	3.50%
Maximum Annual Federal Credit, Rehabilitation:	\$67,274
Maximum Annual Federal Credit, Acquisition:	\$100,625
Total Maximum Annual Federal Credit:	\$167,899
State Credit Applicable Rate:	13%
Total State Credit:	\$622,755
Approved Developer Fee (in Project Cost & Eligible Basis):	\$625,711
Investor:	WNC & Associates
Federal Tax Credit Factor:	\$0.70
State Tax Credit Factor:	\$0.50

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found most fees to be within TCAC’s underwriting guidelines and TCAC limitation with the exception of the developer fee and the construction interest and fees as explained below in the Special Issues section. 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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** In the development budget, the applicant included more Construction Interest and Fees in eligible basis than were shown as a cost. Staff adjusted accordingly by reducing the eligible basis figure to match the cost figure which resulted in a decrease to the maximum allowed developer fee and a corresponding reduction to the annual federal credit figure.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
<b>\$167,899</b>	<b>\$622,755</b>

### **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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst:** Jack Waegell