

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2011 First Round

June 22, 2011

Project Number CA-2011-843

Project Name El Centro Family Apartments
Site Address: 2001 North 8th Street
El Centro, CA 92243 County: Imperial
Census Tract: 112.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$538,591	\$2,058,368
Recommended:	\$538,591	\$2,058,368

Applicant Information

Applicant: CIC El Centro Family Apts., L.P.
Contact: Chris Arthur
Address: 5993 Avenida Encinas, Suite 101
Carlsbad, CA 92008
Phone: (760) 456-6000 **Fax:** (760) 456-6001
Email: carthur@chelseainvestco.com

General partner(s) or principal owner(s): Pacific Southwest Community Development Corp.
CIC El Centro Family Apts., LLC
General Partner Type: Joint Venture
Developer: Chelsea Investment Corporation
Investor: The Richman Group
Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 5
Total # of Units: 72
No. & % of Tax Credit Units: 71 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt/HOME
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 25 %
40% AMI: 20 %
50% AMI: 25 %

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: 11/01/11
Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

8 1-Bedroom Units
 36 2-Bedroom Units
 28 3-Bedroom Units

 72 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 1 Bedroom	30%	30%	\$317
6 2 Bedrooms	30%	30%	\$380
10 2 Bedrooms	40%	40%	\$507
10 2 Bedrooms	50%	50%	\$633
10 2 Bedrooms	60%	60%	\$760
4 3 Bedrooms	30%	30%	\$439
5 3 Bedrooms	40%	40%	\$586
8 3 Bedrooms	50%	50%	\$732
10 3 Bedrooms	60%	60%	\$879
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$17,015,633
 Estimated Residential Project Cost: \$17,015,633

Residential

Construction Cost Per Square Foot: \$120
 Per Unit Cost: \$236,328

Construction Financing

<u>Source</u>	<u>Amount</u>
Rabobank	\$8,765,695
City of El Centro	\$975,000
City of El Centro HOME	\$1,236,698
City of El Centro Land Note	\$575,000
Tax Credit Equity	\$5,463,240

Permanent Financing

<u>Source</u>	<u>Amount</u>
Rabobank	\$1,507,000
City of El Centro	\$975,000
City of El Centro HOME	\$2,400,000
City of El Centro Land Note	\$575,000
CalHFA - MHSA	\$1,872,000
HCD - MHP	\$3,850,000
Deferred Developer Fee	\$131,305
Tax Credit Equity	\$5,705,328
TOTAL	\$17,015,633

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,840,917
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$15,840,917
Applicable Rate:	3.40%
Maximum Annual Federal Credit:	\$538,591
Total State Credit:	\$2,058,368
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor:	The Richman Group
Federal Tax Credit Factor:	\$0.83000
State Tax Credit Factor:	\$0.60000

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:	\$15,840,917
Actual Eligible Basis:	\$15,840,917
Unadjusted Threshold Basis Limit:	\$17,263,840
Total Adjusted Threshold Basis Limit:	\$38,611,554

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 33 Units - 46%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 18 Units - 50%

Tie-Breaker Information

Final: **34.544%**

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 3.40% 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: 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 City of El Centro, 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
\$538,591	\$2,058,368

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.

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-Day Requirements elected, and a Final Reservation. 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 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.

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 ten 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
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	8	8
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Large Family proj. w/i ½ mile of public school project children may attend	2	2	2
Within ½ mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	10	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: Green Communities	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	20	20	20
Total Points	126	114	114

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.