

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 14, 2012

Project Number CA-12-901

Project Name Fairbanks Commons
Site Address: NW Corner of Camino San Bernardo & Nighthawk Lane
San Diego, CA 92127 County: San Diego
Census Tract: 170.300

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,998,458	\$0
Recommended:	\$1,998,458	\$0

Applicant Information

Applicant: Fairbanks Commons CIC, LP
Contact: Tim Baker
Address: 5993 Avenida Encinas, Suite 101
Carlsbad, CA 92008
Phone: 760-456-6000 Fax: 760-456-6001
Email: tbaker@chelseainvestco.com

General partner(s) or principal owner(s): Pacific Southwest Community Development Corp.
CIC Fairbanks Commons, LLC
General Partner Type: Joint Venture
Developer: Chelsea Investment Corporation
Investor/Consultant: US Bancorp Community Development Corp.
Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 13
Total # of Units: 165
No. & % of Tax Credit Units: 163 100%
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: 17
Number of Units @ or below 60% of area median income: 146

Bond Information

Issuer: Housing Authority of the City of San Diego
 Expected Date of Issuance: December 15, 2012
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: Nicola Hil

Unit Mix

19 1-Bedroom Units
 80 2-Bedroom Units
 66 3-Bedroom Units

 165 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 1 Bedroom	60%	60%	\$904
2 1 Bedroom	50%	50%	\$753
71 2 Bedrooms	60%	60%	\$1,084
8 2 Bedrooms	50%	50%	\$903
58 3 Bedrooms	60%	58%	\$1,205
7 3 Bedrooms	50%	48%	\$1,004
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$51,506,366 Construction Cost Per Square Foot: \$132
 Per Unit Cost: \$312,160

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$37,500,000	Citibank, N.A.	\$16,628,000
Master Developer Contribution	\$2,279,759	Subordinate Bonds	\$2,325,000
Master Developer - FBA Credit	\$6,982,140	Master Developer Contribution	\$2,279,759
Deferred Costs	\$2,526,326	Master Developer - FBA Credit	\$6,982,140
Tax Credit Equity	\$2,218,141	Deferred Developer Fee	\$1,110,801
		Tax Credit Equity	\$22,180,666
		TOTAL	\$51,506,366

Determination of Credit Amount(s)

Requested Eligible Basis:	\$48,039,857
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$62,451,814
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$1,998,458
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	US Bancorp Community Development Corp.
Federal Tax Credit Factor:	\$1.10989

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:	\$48,039,857
Actual Eligible Basis:	\$48,039,857
Unadjusted Threshold Basis Limit:	\$47,436,803
Total Adjusted Threshold Basis Limit:	\$62,438,804

Adjustments to Basis Limit:

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: 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 meet 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 3.20% 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

Local Reviewing Agency:

The Local Reviewing Agency, San Diego Housing Commission, 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
\$1,998,458	\$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 provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program
- Educational classes