

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 21, 2014

Project Number CA-14-821

Project Name Mill Creek Courtyard
 Site Address: 1303 S Street
 Bakersfield, CA 93301 County: Kern
 Census Tract: 16.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$621,135	\$0
Recommended:	\$621,135	\$0

Applicant Information

Applicant: Mill Creek Courtyard CIC, LP
 Contact: Jordan Penn
 Address: 5993 Avenida Encinas, Suite 101
 Carlsbad, CA 92008
 Phone: (760) 456-6000 Fax: (760) 456-6001
 Email: jpenn@chelseainvestco.com

General Partner(s) or Principal Owner(s): Pacific Southwest Community Development Corporation
 CIC Mill Creek Courtyard, LLC

General Partner Type: Joint Venture

Parent Company(ies): Pacific Southwest Community Development Corporation
 Chelsea Investment Corporation

Developer: Chelsea Investment Corporation

Investor/Consultant: Richman Group

Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 8

Total # of Units: 62

No. & % of Tax Credit Units: 61 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HOME / NSP

HCD MHP Funding: No

55-Year Use/Affordability: Yes

Number of Units @ or below 35% of area median income: 10

Number of Units @ or below 50% of area median income: 37

Number of Units @ or below 60% of area median income: 14

Bond Information

Issuer: CA Municipal Finance Authority
 Expected Date of Issuance: July 14, 2014
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

50 1-Bedroom Units
 12 2-Bedroom Units

 62 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	30%	\$307
7 1 Bedroom	40%	40%	\$410
7 1 Bedroom	45%	45%	\$461
17 1 Bedroom	50%	50%	\$513
14 1 Bedroom	60%	55%	\$564
5 2 Bedrooms	30%	30%	\$369
2 2 Bedrooms	40%	40%	\$493
2 2 Bedrooms	45%	45%	\$554
2 2 Bedrooms	50%	50%	\$616
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$16,820,310
 Estimated Residential Project Cost: \$16,820,310

Construction Financing

<u>Source</u>	<u>Amount</u>
Rabobank Construction loan	\$8,700,000
City of Bakersfield	\$6,592,016
Deferred fees and reserves	\$1,220,832
Tax Credit Equity	\$307,462

Residential

Construction Cost Per Square Foot: \$143
 Per Unit Cost: \$271,295

Permanent Financing

<u>Source</u>	<u>Amount</u>
City of Bakersfield	\$9,292,016
AHP	\$610,000
Deferred Developer Fee	\$769,059
Tax Credit Equity	\$6,149,235
TOTAL	\$16,820,310

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,931,127
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,410,465
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$621,135
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,947,538
Investor/Consultant:	Richman Group
Federal Tax Credit Factor:	\$0.99000

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:	\$14,931,127
Actual Eligible Basis:	\$14,931,127
Unadjusted Threshold Basis Limit:	\$11,716,250
Total Adjusted Threshold Basis Limit:	\$24,385,130

Adjustments to Basis Limit:

- 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: 60%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 32%

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 3.20% 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, City of Bakersfield, 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
\$621,135	\$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: None