

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 10, 2014

Project Number CA-14-908

Project Name PHR Unit 24
 Site Address: South of Carmel Valley Rd., East of Rancho Santa Fe Farms Rd.,
 North of Ted Williams Fwy (56)
 San Diego, CA 92130 County: San Diego

Census Tract: 215.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$999,138	\$0
Recommended:	\$999,138	\$0

Applicant Information

Applicant: Unit 24 CIC, LP
 Contact: Cheri Hoffman
 Address: 5993 Avenida Encinas, Suite 101
 Carlsbad, CA 92008
 Phone: 760-456-6000 Fax: 760-456-6001
 Email: cheri@chelseainvestco.com

General Partner(s) or Principal Owner(s): CIC Unit 24, LLC
 Pacific Southwest Community Development Corp.
 General Partner Type: Joint Venture
 Parent Company(ies): The Schimd Family Trust
 Chelsea Investment Corporation
 Pacific Southwest Community Development Corp.
 Developer: Chelsea Investment Corporation
 Investor/Consultant: US Bank Community Dev. Corp.
 Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 8
 Total # of Units: 96
 No. & % of Tax Credit Units: 95 100.00%
 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: 10
 Number of Units @ or below 60% of area median income: 85

Bond Information

Issuer: Housing Authority of San Diego
 Expected Date of Issuance: December 10, 2014
 Credit Enhancement: None

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: Daniel Tran

Unit Mix

16 1-Bedroom Units
 48 2-Bedroom Units
 32 3-Bedroom Units

 96 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>
14 1 Bedroom	60%	60%	\$888
2 1 Bedroom	50%	50%	\$740
43 2 Bedrooms	60%	60%	\$1,066
5 2 Bedrooms	50%	50%	\$888
28 3 Bedrooms	60%	58%	\$1,183
3 3 Bedrooms	50%	48%	\$986
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,106

Project Financing

Estimated Total Project Cost: \$24,870,556
 Estimated Residential Project Cost: \$24,870,556

Residential

Construction Cost Per Square Foot: \$141
 Per Unit Cost: \$259,068

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$17,450,000
CIC Opportunities - Junior Bonds	\$950,000
Pardee Homes - Offsite Costs Loan	\$1,750,000
Pardee Homes - Gap Contribution	\$1,119,500
Deferred Fees and Costs	\$1,997,556
Tax Credit Equity	\$1,603,500

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$8,680,000
CIC Opportunities - Junior Bonds	\$950,000
Pardee Homes - Offsite Costs Loan	\$1,750,000
Pardee Homes - Gap Contribution	\$1,119,500
Deferred Construction Fee	\$431,345
Deferred Developer Fee	\$1,250,000
Tax Credit Equity	\$10,689,711
TOTAL	\$24,870,556

Determination of Credit Amount(s)

Requested Eligible Basis :	\$23,794,674
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$30,933,076
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$999,138
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	US Bank Community Dev. Corp.
Federal Tax Credit Factor:	\$1.06989

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:	\$23,794,674
Actual Eligible Basis:	\$23,794,674
Unadjusted Threshold Basis Limit:	\$28,786,272
Total Adjusted Threshold Basis Limit:	\$36,204,761

Adjustments to Basis Limit:

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Irrigated with reclaimed water, greywater, or rainwater (excluding community gardens)

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 exceed the minimum operating expenses established in the Regulations, and the project pro forma exceeds a positive cash flow from year one. Staff has calculated federal tax credits based on 3.36% 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
\$999,138

State Tax Credits/Total
\$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 complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 25% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.