

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-835

Project Name Trolley Residential
 Site Address: 4981 Market Street
 San Diego, CA 92102 County: San Diego
 Census Tract: 34.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$845,124	\$0
Recommended:	\$845,124	\$0

Applicant Information

Applicant: Trolley Residential CIC, LP
 Contact: Jordan Penn
 Address: 5993 Avenida Encinas, #101
 Carlsbad, CA 92008
 Phone: 760-456-6000 Fax: 760-456-6001
 Email: jpenn@chelseainvestco.com

General Partner(s) or Principal Owner(s): CIC Trolley Residential LLC
 Jacobs Center for Neighborhood Innovation
 General Partner Type: Joint Venture
 Parent Company(ies): Chelsea Investment Corporation
 Jacobs Center for Neighborhood Innovation
 Developer: Chelsea Investment Corporation
 Investor/Consultant: Raymond James
 Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 52
 No. & % of Tax Credit Units: 51 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 6
 Number of Units @ or below 50% of area median income: 35
 Number of Units @ or below 60% of area median income: 10

Bond Information

Issuer: San Diego Housing Commission
 Expected Date of Issuance: June 30, 2015
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

6 1-Bedroom Units
 24 2-Bedroom Units
 22 3-Bedroom Units

 52 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	50%	49%	\$740
1 1 Bedroom	40%	39%	\$592
6 2 Bedrooms	60%	59%	\$1,066
10 2 Bedrooms	50%	49%	\$888
5 2 Bedrooms	40%	39%	\$711
3 2 Bedrooms	30%	28%	\$512
4 3 Bedrooms	60%	56%	\$1,183
9 3 Bedrooms	50%	47%	\$986
5 3 Bedrooms	40%	37%	\$789
3 3 Bedrooms	30%	27%	\$569
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,663,808
Construction Costs	\$13,273,720
Rehabilitation Costs	\$0
Construction Contingency	\$663,686
Relocation	\$0
Architectural/Engineering	\$1,126,192
Construction Interest, Perm Financing	\$975,495
Legal Fees, Appraisals	\$324,500
Reserves	\$113,110
Other Costs	\$2,739,200
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$22,879,711

Project Financing

Estimated Total Project Cost:	\$22,879,711
Estimated Residential Project Cost:	\$22,879,711

Residential

Construction Cost Per Square Foot:	\$238
Per Unit Cost:	\$439,994

Construction Financing

Source	Amount
Citibank	\$15,000,000
HCD IIG	\$2,644,960
San Diego Housing Commission	\$1,560,000
Land Note	\$769,072
Owner Equity	\$400,000
Deferred Costs	\$1,149,255
Tax Credit Equity	\$1,356,424

Permanent Financing

Source	Amount
Citibank	\$933,000
HCD IIG	\$2,644,960
HCD TOD	\$4,000,000
San Diego Housing Commission	\$3,120,000
Land Note	\$769,072
Civic San Diego	\$800,000
AHP	\$510,000
Owner Equity	\$400,000
Deferred Developer Fee	\$600,000
Solar Tax Credit Equity	\$59,850
Tax Credit Equity	\$9,042,829
TOTAL	\$22,879,711

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,443,255
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,576,232
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$845,124
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,000,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$1.07000

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:	\$20,443,255
Actual Eligible Basis:	\$20,443,255
Unadjusted Threshold Basis Limit:	\$16,774,540
Total Adjusted Threshold Basis Limit:	\$39,438,364

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 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: 68%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 22%

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 3.30% 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, the 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
\$845,124	\$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.