

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 21, 2015**

Torrey Vale Apartments, located on Rancho Del Sol Way, west of Ranch Santa Fe Farms Road in San Diego, CA, requested and is being recommended for a reservation of \$433,598 in annual federal tax credits to finance the new construction of 27 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will be located in Senate District 39 and Assembly District 77.

Project Number CA-15-900

Project Name Torrey Vale Apartments
Site Address: Rancho Del Sol Way, west of Rancho Santa Fe Farms Road
San Diego, CA 92103 County: San Diego
Census Tract: 215.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$433,598	\$0
Recommended:	\$433,598	\$0

Applicant Information

Applicant: Torrey Vale CIC, LP
Contact: Matt Grosz
Address: 5993 Avenida Encinas, Suite 101
Carlsbad, CA 92008
Phone: 760-456-6000 Fax: 760-456-6001
Email: mgrosz@chelseainvestco.com

General Partner(s) or Principal Owner(s): CIC Torrey Vale LLC
Pacific Southwest Community Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): Chelsea Investment Corporation
Pacific Southwest Community Development Corporation
Developer: Chelsea Investment Corporation
Investor/Consultant: Union Bank
Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 28
 No. & % of Tax Credit Units: 27 100.00%
 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: 3
 Number of Units @ or below 60% of area median income: 24

Bond Information

Issuer: San Diego Housing Commission
 Expected Date of Issuance: December 16, 2015
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

20 2-Bedroom Units
 8 3-Bedroom Units

 28 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>
17 2 Bedrooms	60%	60%	\$1,093
2 2 Bedrooms	50%	50%	\$911
7 3 Bedrooms	60%	58%	\$1,215
1 3 Bedrooms	50%	48%	\$1,012
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,221,193
Construction Costs	\$4,929,414
Rehabilitation Costs	\$0
Construction Contingency	\$246,471
Relocation	\$0
Architectural/Engineering	\$473,300
Construction Interest, Perm Financing	\$469,099
Legal Fees, Appraisals	\$125,000
Reserves	\$75,832
Other Costs	\$1,846,637
Developer Fee	\$1,318,328
Commercial Costs	\$0
Total	\$10,705,273

Project Financing

Estimated Total Project Cost:	\$10,705,273
Estimated Residential Project Cost:	\$10,705,273

Residential

Construction Cost Per Square Foot:	\$192
Per Unit Cost:	\$382,331

Construction Financing

Source	Amount
Citi Community Capital	\$7,000,000
Master Developer Loans	\$2,561,192
Accrued Interest	\$67,231
Deferred Costs	\$348,405
Tax Credit Equity	\$728,445

Permanent Financing

Source	Amount
Citi Community Capital	\$2,274,000
Citi - Subordinate Loan	\$280,000
Master Developer Loans	\$2,561,192
Accrued Interest	\$67,231
Deferred Developer Fee	\$666,550
Tax Credit Equity	\$4,856,300
TOTAL	\$10,705,273

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,107,185
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,139,340
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$433,598
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,318,328
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$1.12000

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:	\$10,107,185
Actual Eligible Basis:	\$10,107,185
Unadjusted Threshold Basis Limit:	\$8,878,464
Total Adjusted Threshold Basis Limit:	\$11,262,039

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 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
\$433,598	\$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.