

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 16, 2016**

Portola Senior Apartments, located at the Southeast Corner of Glenn Road and Saddleback Ranch Road in Lake Forest, requested and is being recommended for a reservation of \$820,612 in annual federal tax credits to finance the new construction of 57 units of housing serving seniors 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 37 and Assembly District 68.

**Project Number** CA-16-829

**Project Name** Portola Senior Apartments  
 Site Address: Southeast Corner of Glenn Road & Saddleback Ranch Road  
 Lake Forest, CA 92610 County: Orange  
 Census Tract: 524.280

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$820,612	\$0
Recommended:	\$820,612	\$0

**Applicant Information**

Applicant: Portola Seniors 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 Portola Seniors, LLC  
 General Partner Type: Joint Venture  
 Parent Company(ies): Pacific Southwest Community Development Corporation  
 Chelsea Investment Corporation  
 Developer: Chelsea Investment Corporation  
 Investor/Consultant: US Bank  
 Management Agent: CIC Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 58  
 No. & % of Tax Credit Units: 57 100.00%  
 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: 25  
 Number of Units @ or below 60% of area median income: 32

**Bond Information**

Issuer: CA Municipal Finance Authority  
 Expected Date of Issuance: March 31, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Orange County  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

58 1-Bedroom Units  
 58 Total Units

<u>Unit Type &amp; 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>
32 1 Bedroom	60%	60%	\$1,054
25 1 Bedroom	50%	50%	\$878
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,757,798
Construction Costs	\$8,228,571
Rehabilitation Costs	\$0
Construction Contingency	\$411,429
Relocation	\$0
Architectural/Engineering	\$645,000
Construction Interest, Perm Financing	\$971,382
Legal Fees, Appraisals	\$177,857
Reserves	\$144,288
Other Costs	\$3,656,640
Developer Fee	\$2,495,021
Commercial Costs	\$1,765,524
<b>Total</b>	<b>\$22,253,509</b>

**Project Financing**

Estimated Total Project Cost:	\$22,253,509
Estimated Residential Project Cost:	\$20,487,985
Estimated Commercial Project Cost	\$1,765,524

**Residential**

Construction Cost Per Square Foot:	\$181
Per Unit Cost:	\$353,241

**Construction Financing**

Source	Amount
Union Bank	\$11,100,000
Master Developer Loans	\$5,887,303
Master Developer Commercial Reimb.	\$1,765,524
Accrued Soft Loan Interest	\$264,929
Deferred Fees and Costs	\$2,049,733
Tax Credit Equity	\$1,186,020

**Permanent Financing**

Source	Amount
Union Bank	\$3,814,000
Master Developer Loans	\$5,887,303
Master Developer Commercial Reimb.	\$1,765,524
Accrued Soft Loan Interest	\$264,929
Deferred Developer Fee	\$1,495,021
Tax Credit Equity	\$9,026,732
<b>TOTAL</b>	<b>\$22,253,509</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$19,128,495
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,867,043
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$820,612
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,495,021
Investor/Consultant:	US Bank
Federal Tax Credit Factor:	\$1.10000

Per Regulation Section 10322(h)(9)(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:	\$19,128,495
Actual Eligible Basis:	\$19,128,495
Unadjusted Threshold Basis Limit:	\$10,962,696
Total Adjusted Threshold Basis Limit:	\$19,952,500

**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:	43%

**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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$820,612</b>	<b>\$0</b>

**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.