

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 Second Round
October 19, 2016

Cesar Chavez Phase II, located at 84851 Bagdad Avenue in Coachella, requested a reservation of \$1,298,434 in annual federal tax credits to finance the new construction of 79 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will be located in Senate District 40 and Assembly District 56. Staff determined that the project as presented in the application does not meet the feasibility requirement outlined in TCAC Regulation Section 10327(c)(7)(C). The applicant has informed TCAC of their intent to appeal staff determination to the Committee.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number	CA-16-128
Project Name	Cesar Chavez Phase II
Site Address:	84851 Bagdad Avenue Coachella, CA 92236 County: Riverside
Census Tract:	457.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,298,434	\$0

Applicant Information

Applicant:	Cesar Chavez Phase II, LP (f/k/a Vista Montana Phase II, LP)	
Contact:	Cheri Hoffman	
Address:	5993 Avenida Encinas, Suite 101 Carlsbad, CA 92008	
Phone:	(760) 456-6000	Fax: (760) 456-6001
Email:	cherih@chelseainvestco.com	

General Partner(s) / Principal Owner(s):	Pacific Southwest Community Development Corp. CIC Cesar Chavez Phase II, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Pacific Southwest Community Development Corp. Chelsea Investment Corporation
Developer:	Chelsea Investment Corporation
Investor/Consultant:	U.S. Bank Community Development Corporation
Management Agent(s):	CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 514 / USDA RHS 521 Rental Assistance (79 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 9 10 %
 35% AMI: 9 10 %
 40% AMI: 9 10 %
 45% AMI: 9 10 %
 50% AMI: 43 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

16 1-Bedroom Units
 40 2-Bedroom Units
 24 3-Bedroom Units

 80 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8 1 Bedroom	50%	50%	\$600
2 1 Bedroom	45%	45%	\$540
2 1 Bedroom	40%	40%	\$480
2 1 Bedroom	35%	35%	\$420
2 1 Bedroom	30%	30%	\$360
24 2 Bedrooms	50%	50%	\$720
4 2 Bedrooms	45%	45%	\$648
4 2 Bedrooms	40%	40%	\$576
4 2 Bedrooms	35%	35%	\$504
4 2 Bedrooms	30%	30%	\$432
11 3 Bedrooms	50%	50%	\$831
3 3 Bedrooms	45%	45%	\$748
3 3 Bedrooms	40%	40%	\$665
3 3 Bedrooms	35%	35%	\$581
3 3 Bedrooms	30%	30%	\$498
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,410,500
Construction Costs	\$14,236,250
Rehabilitation Costs	\$0
Construction Contingency	\$713,312
Relocation	\$0
Architectural/Engineering	\$380,200
Const. Interest, Perm. Financing	\$806,992
Legal Fees, Appraisals	\$190,000
Reserves	\$124,693
Other Costs	\$7,161,483
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$27,023,430

Project Financing

Estimated Total Project Cost:	\$27,023,430
Estimated Residential Project Cost:	\$27,023,430
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$187
Per Unit Cost:	\$337,793
True Cash Per Unit Cost*:	\$286,150

Construction Financing

Source	Amount
Rabobank	\$17,675,135
City of Coachella	\$4,272,000
HA County of Riverside - HOME	\$585,000
Deferred Developer Fee	\$1,497,303
Solar Tax Credit Equity	\$85,500
Tax Credit Equity	\$2,908,492

Permanent Financing

Source	Amount
Rabobank - Tranche B	\$3,375,000
USDA RHS 514	\$3,000,000
City of Coachella	\$4,272,000
HA County of Riverside - HOME	\$650,000
Deferred Developer Fee	\$756,469
Solar Tax Credit Equity	\$427,500
Tax Credit Equity	\$14,542,461
TOTAL	\$23,648,430

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,097,724
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,427,041
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,298,434
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	U.S. Bank Community Development Corporation
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:	\$11,097,724
Actual Eligible Basis:	\$24,197,724
Unadjusted Threshold Basis Limit:	\$17,233,520
Total Adjusted Threshold Basis Limit:	\$24,015,669

Adjustments to Basis Limit

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

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	51.719%

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 9.0% 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

The current 80-unit project is the second phase to be built adjacent to an existing tax credit large family project, CA-12-210. The current project will share the community facilities at Phase I, CA-12-210. The owners of both phases shall enter into a Joint Use Agreement prior to the current project being placed in service.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, the City of Coachella, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/4 mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1/2 mile of a public middle school	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 6 hours/week	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of:LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	65	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.