

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 19, 2016**

Villa Storia, located at the NE corner of Academy Road and Mission Avenue in Oceanside, requested and is being recommended for a reservation of \$499,502 in annual federal tax credits to finance the new construction of 37 units of housing serving large families 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 36 and Assembly District 76.

**Project Number** CA-16-952

**Project Name** Villa Storia  
**Site Address:** NE corner of Academy Road and Mission Avenue  
Oceanside, CA 92057 County: San Diego  
**Census Tract:** 185.070

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$499,502	\$0
Recommended:	\$499,502	\$0

**Applicant Information**

**Applicant:** Villa Storia CIC, LP  
**Contact:** Chris Earl  
**Address:** 5993 Avenida Encinas, Suite 101  
Carlsbad, CA 92008  
**Phone:** 760-456-6000 **Fax:** 760-456-6001  
**Email:** cearl@chesleainvestco.com

**General Partner(s) or Principal Owner(s):** Pacific Southwest Community Dev. Corporation  
CIC Villa Storia, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Pacific Southwest Community Dev. Corporation  
Chelsea Investment Corporation

**Developer:** Chelsea Investment Corporation

**Investor/Consultant:** Richman Group

**Management Agent:** CIC Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 38  
 No. & % of Tax Credit Units: 37 100.00%  
 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: 4  
 Number of Units @ or below 60% of area median income: 33

**Bond Information**

Issuer: City of Oceanside  
 Expected Date of Issuance: December 12, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Lucy Vang

**Unit Mix**

12 1-Bedroom Units  
 20 2-Bedroom Units  
6 3-Bedroom Units  
 38 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 1 Bedroom	60%	60%	\$956
1 1 Bedroom	50%	50%	\$796
18 2 Bedrooms	60%	60%	\$1,147
2 2 Bedrooms	50%	50%	\$956
4 3 Bedrooms	60%	60%	\$1,326
1 3 Bedrooms	50%	50%	\$1,105
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,173,944
Construction Costs	\$5,935,120
Construction Contingency	\$296,756
Relocation	\$0
Architectural/Engineering	\$550,750
Const. Interest, Perm. Financing	\$582,822
Legal Fees, Appraisals	\$165,000
Reserves	\$105,815
Other Costs	\$1,204,629
Developer Fee	\$1,542,069
Commercial Costs	\$0
<b>Total</b>	<b>\$12,556,905</b>

**Project Financing**

Estimated Total Project Cost:	\$12,556,905
Estimated Residential Project Cost:	\$12,556,905
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$175
Per Unit Cost:	\$330,445
True Cash Per Unit Cost*:	\$261,866

**Construction Financing**

Source	Amount
Citibank	\$8,000,000
Master Developer Loan	\$1,323,888
Land and Infrastructure Donation	\$2,163,944
Deferred Costs/Developer Fee	\$529,610
Tax Credit Equity	\$539,462

**Permanent Financing**

Source	Amount
Citibank	\$3,232,385
Master Developer Loan	\$1,323,888
Land and Infrastructure Donation	\$2,163,944
Deferred Developer Fee	\$442,069
Tax Credit Equity	\$5,394,619
<b>TOTAL</b>	<b>\$12,556,905</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$11,822,526
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,369,284
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$499,502
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,542,069
Investor/Consultant:	Richman Group
Federal Tax Credit Factor:	\$1.08000

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:	\$11,822,526
Actual Eligible Basis:	\$11,822,526
Unadjusted Threshold Basis Limit:	\$10,505,740
Total Adjusted Threshold Basis Limit:	\$12,322,632

**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 3.25% 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, City of Oceanside, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$499,502</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