CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 20, 2019

St. Regis Park Apartments, located at 1025 Broadway in Chula Vista, requested and is being recommended for a reservation of $1,268,271 in annual federal tax credits to finance the acquisition and rehabilitation of 118 units of housing serving families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and is located in Senate District 40 and Assembly District 80.

St. Regis Park Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, St. Regis Park (formerly known as Pear Tree Manor, CA-2000-832). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-437

Project Name St. Regis Park Apartments
Site Address: 1025 Broadway
Chula Vista, CA 91911 County: San Diego
Census Tract: 131.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,268,271	$0
Recommended:	$1,268,271	$0

Applicant Information
Applicant: St. Regis Park CIC, LP
Contact: Cheri Hoffman
Address: 6339 Paseo del Lago
Carlsbad, CA 92011
Phone: 760-456-6000
Email: cheri@chelseainvestco.com

General Partner(s) or Principal Owner(s): CIC St. Regis Park LLC
Pacific Southwest Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): Chelsea Investment Corporation
Pacific Southwest Development Corporation
Developer: Chelsea Investment Corporation
Investor/Consultant: Raymond James Financial, Inc.
Management Agent: CIC Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	119
No. / % of Low Income Units:	118 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	City of Chula Vista
Expected Date of Issuance:	March 20, 2019

Information

Housing Type:	Large Family
Geographic Area:	San Diego County
TCAC Project Analyst:	Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	24	20%
60% AMI:	94	80%

Unit Mix

5	1-Bedroom Units
109	2-Bedroom Units
5	3-Bedroom Units
119	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	60%	54%	$981
1	1 Bedroom	50%	45%	$818
77	2 Bedrooms	60%	50%	$1,104
10	2 Bedrooms	60%	60%	$1,314
22	2 Bedrooms	50%	42%	$920
3	3 Bedrooms	60%	48%	$1,227
1	3 Bedrooms	50%	40%	$1,022
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$22,224,770
Construction Costs	$0
Rehabilitation Costs	$7,376,138
Construction Hard Cost Contingency	$737,614
Soft Cost Contingency	$144,237
Relocation	$686,000
Architectural/Engineering	$114,036
Const. Interest, Perm. Financing	$2,422,980
Legal Fees	$240,000
Reserves	$332,028
Other Costs	$486,468
Developer Fee	$4,535,419
Commercial Costs	$0
Total	**$39,299,688**

Residential

Construction Cost Per Square Foot:	$76
Per Unit Cost:	$330,249
True Cash Per Unit Cost*:	$203,733

Construction Financing

Source	Amount
Citi Community Capital	$21,227,331
Seller Note	$10,070,000
City of Chula Vista Loan	$1,275,778
Soft Loans Accrued Interest	$340,373
Bond Performance Deposit Refund	$100,000
Income from Operations	$634,579
Deferred Fees and Costs	$4,510,183
Federal LIHTC Equity - Raymond J	$1,141,444

Permanent Financing

Source	Amount
Citi Community Capital	$10,479,100
Seller Note	$13,200,000
City of Chula Vista Loan	$1,275,778
Soft Loans Accrued Interest	$340,373
Bond Performance Deposit Refund	$100,000
Income from Operations	$634,579
Deferred Developer Fee	$1,855,419
Tax Credit Equity	$11,414,439
TOTAL	**$39,299,688**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,203,062
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$22,568,486
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$15,863,980
Qualified Basis (Acquisition):	$22,568,486
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$523,511
Maximum Annual Federal Credit, Acquisition:	$744,760
Total Maximum Annual Federal Credit:	$1,268,271
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,535,419
Investor/Consultant:	Raymond James Financial, Inc.
Federal Tax Credit Factor:	$0.90000

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$34,771,547
Actual Eligible Basis:	$34,771,547
Unadjusted Threshold Basis Limit:	$39,497,670
Total Adjusted Threshold Basis Limit:	$47,397,204

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 20%

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 meet or 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.

Significant Information / Additional Conditions: None

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2000-832). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2000-832) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndicating concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $875,230. In consideration of the Short Term Work requirement, the seller of the project will give a credit in the amount of at least $875,230. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

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.

CDLAC Additional Conditions

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.