CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 13, 2017
REVISED

Civita II Family, located on the North West corner of Russell Parkway and Friars Road in San Diego, requested and is being recommended for a reservation of $4,195,667 in annual federal tax credits to finance the new construction of 201 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 79.

Project Number CA-17-822

Project Name Civita II Family
Site Address: North West corner of Russell Parkway and Friars Road
San Diego, CA 92108 County: San Diego
Census Tract: 0092.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,195,667	$0
Recommended:	$4,195,667	$0

Applicant Information
Applicant: Civita II 4% CIC, LP
Contact: Chris Earl
Address: 6339 Paseo del Lago
Carlsbad, CA 92011
Phone: (760) 456-6000 Fax: (760) 456-6001
Email: cearl@chelseainvestco.com

General Partner(s) or Principal Owner(s): Pacific Southwest Community Development Corp.
CIC Civita II 4%, LLC
General Partner Type: Joint Venture
Parent Company(ies): Chelsea Investment Corporation
Developer: Chelsea Investment Corporation
Investor/Consultant: Raymond James
Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 203
No. & % of Tax Credit Units: 201 100.00%
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: 61
Number of Units @ or below 60% of area median income: 140

Bond Information

Issuer: Housing Authority of the City San Diego
Expected Date of Issuance: March 1, 2018
Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
Geographic Area: San Diego County
TCAC Project Analyst: Diane SooHoo

Unit Mix

104	2-Bedroom Units
99	3-Bedroom Units
203	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
73	2 Bedrooms	60%	60%	$1,228
31	2 Bedrooms	50%	50%	$1,023
67	3 Bedrooms	60%	58%	$1,363
30	3 Bedrooms	50%	48%	$1,136
2	3 Bedrooms	Manager's Unit	Manager's Unit	$0

Projected Lifetime Rent Benefit: $194,308,620

Project Cost Summary at Application	
Land and Acquisition	$14,170,001
Construction Costs	$58,462,544
Rehabilitation Costs	$0
Construction Contingency	$3,123,127
Relocation	$0
Architectural/Engineering	$1,209,628
Const. Interest, Perm. Financing	$7,300,717
Legal Fees, Appraisals	$89,690
Reserves	$628,071
Other Costs	$5,470,061
Developer Fee	$12,952,920
Commercial Costs	$0
Total	**$103,406,760**

Project Financing	
Estimated Total Project Cost:	$103,406,760
Estimated Residential Project Cost:	$103,406,760
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$263
Per Unit Cost:	$509,393
True Cash Per Unit Cost*:	$462,705

Construction Financing

Source	Amount
Citibank	$62,000,000
Master Developer Note	$10,532,003
Master Developer Note**	$14,150,000
Accrued Interest	$2,744,980
Deferred Contractor Fee	$2,191,668
Deferred Fees and Costs	$8,043,476
Tax Credit Equity	$3,744,633

Permanent Financing

Source	Amount
Citibank	$20,256,000
Master Developer Note	$10,532,003
Master Developer Note**	$14,150,000
Accrued Interest	$2,744,980
Deferred Contractor Fee	$2,191,668
Deferred Developer Fee	$9,477,605
Tax Credit Equity	$44,054,504
TOTAL	**$103,406,760**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**Master Developer Note Improvements

Determination of Credit Amount(s)

Requested Eligible Basis:	$99,305,721
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$129,097,437
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$4,195,667
Approved Developer Fee (in Project Cost & Eligible Basis)	$12,952,920
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	$1.05000

Per Regulation Section 10327(c)(6), 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:	$99,305,721
Actual Eligible Basis:	$99,305,721
Unadjusted Threshold Basis Limit:	$65,155,328
Total Adjusted Threshold Basis Limit:	$106,704,152

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced
High Opportunity Area
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

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

This project is part of a larger Civita master development. The Civita development is subject to the City of San Diego's Inclusionary Affordable Housing Ordinance. The master developer, Sudberry Properties, set aside 10% of the total number of units for affordable housing. Chelsea Investment Corporation is the developer of the affordable housing component and has entered into a Master Affordable Housing Agreement with the San Diego Housing Commission. Civita II Family (CA-17-822) is the third Civita development application TCAC has received from Chelsea Investment Corporation. Civita Seniors (CA-13-051) and Civita II Seniors (CA-17-104) were previously awarded low income housing tax credits.

Civita II Family and Civita II Seniors are two separate applications to TCAC for a single site totaling 306 units. The site will be vertically subdivided into four legal condominium units comprised of two residential projects, parking, and commercial space.

Levels 1-2 of the building will consist of senior units for Civita II Seniors, leasing offices for both projects, and retail space. The retail space will be owned and operated by the developer separately from the projects. Levels 3-7 of the building will consist of low income units for both projects, Civita II Family and Civita II Seniors.

Due to the proposed mix of family and senior housing, the applicant is required to provide TCAC with an attorney's opinion that the project meets all federal and state fair housing laws as they relate to combining family units and senior-restricted units on the same site. This opinion must be included in the placed-in-service application submission to TCAC, otherwise the reservation of tax credits may be rescinded.

The project owner will pay for garbage collection, water and sewer, and gas fired domestic hot water heating. Tenants will pay for electric heating, electric cooking, and other electric.

Local Reviewing Agency

The Local Reviewing Agency, 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**
$4,195,667	**$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:
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 becoming certified under GreenPoint Rated Multifamily Guidelines
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.