CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 16, 2018

Playa del Sol Family Apartments, located at Ocean View Hills Parkway in San Diego requested and is being recommended for a reservation of $779,961 in annual federal tax credits to finance the new construction of 41 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 40 and Assembly District 80.

Project Number CA-18-749

Project Name Playa del Sol Family Apartments

Site Address:	Ocean View Hills Parkway San Diego, CA 92154
Census Tract:	100.14

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$779,961	$0
Recommended:	$779,961	$0

Applicant Information

Applicant:	Playa del Sol CIC, LP
Contact:	Randy Slabbers
Address:	6339 Paseo del Lago Carlsbad, CA 92011
Phone:	(760) 456-6000
Email:	rslabbers@chelseainvestco.com

General Partner(s) or Principal Owner(s):	Southern California Housing Collaborative CIC Playa Del Sol, LLC
General Partner Type:	Joint Venture
Parent Companies:	Southern California Housing Collaborative Chelsea Investment Corporation
Developer:	Chelsea Investment Corporation
Investor/Consultant:	The Richman Group
Management Agent:	CIC Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	3
Total # of Units:	42
No. / % of Low Income Units:	41 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	San Diego Housing Authority
Expected Date of Issuance:	August 1, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	San Diego County
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	5	12%
At or Below 60% AMI:	36	88%

Unit Mix

3	1-Bedroom Units
15	2-Bedroom Units
24	3-Bedroom Units
42	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	60%	60%	$1,023
1	1 Bedroom	50%	50%	$852
13	2 Bedrooms	60%	60%	$1,227
2	2 Bedrooms	50%	50%	$1,023
21	3 Bedrooms	60%	60%	$1,418
2	3 Bedrooms	50%	48%	$1,136
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $23,263,020

Project Cost Summary at Application

Land and Acquisition	$2,912,894
Construction Costs	$8,962,339
Rehabilitation Costs	$0
Construction Contingency	$448,117
Relocation	$0
Architectural/Engineering	$240,262
Const. Interest, Perm. Financing	$806,420
Legal Fees, Appraisals	$122,500
Reserves	$208,571
Other Costs	$3,001,407
Developer Fee	$2,393,178
Commercial Costs	$0
Total	**$19,095,688**

Residential

Construction Cost Per Square Foot:	$143
Per Unit Cost:	$454,659
True Cash Per Unit Cost*:	$428,001

Construction Financing

Source	Amount
Banner Bank	$11,000,000
Pardee Homes Improvement Note	$2,912,893
Pardee Homes Note	$1,456,516
General Partner Subordinate Loan	$750,000
Accrued Loan Interest	$127,983
Deferred Fee	$295,029
Deferred Fees and Costs	$1,804,504
Tax Credit Equity	$748,763

Permanent Financing

Source	Amount
Banner Bank	$4,046,000
Pardee Homes Improvement Note	$2,912,893
Pardee Homes Note	$1,456,516
General Partner Subordinate Loan	$750,000
Accrued Loan Interest	$127,983
Deferred Fee	$295,029
Developer Fee Contribution	$900,000
Deferred Developer Fee	$1,119,641
Tax Credit Equity	$7,487,626
TOTAL	**$19,095,688**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$18,347,702
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$23,852,012
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	$779,961
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,393,178
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	$0.96000

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$18,347,702
Actual Eligible Basis:	$18,347,702
Unadjusted Threshold Basis Limit:	$14,924,886
Total Adjusted Threshold Basis Limit:	$19,326,813

Adjustments to Basis Limit:

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 12%

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 3.27% 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.

Local Reviewing Agency

The Local Reviewing Agency, the San Diego Housing Commission, has completed a site review of this project and strongly supports this project.

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: None.