CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

Regency Centre Apartments, located at 4765 Home Avenue in San Diego, requested and is being recommended for a reservation of $953,490 in annual federal tax credits to finance the acquisition and rehabilitation of 99 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 is located in Senate District 40 and Assembly District 80.

Regency Centre Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Regency Centre Apartments (CA-2000-831). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-18-608

Project Name Regency Centre Apartments
Site Address: 4765 Home Avenue
San Diego, CA 92105 County: San Diego
Census Tract: 34.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$953,490	$0
Recommended:	$953,490	$0

Applicant Information
Applicant: Regency Centre 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 Regency Centre, 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:	2
Total # of Units:	100
No. / % of Low Income Units:	99 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	Housing Authority of the City of San Diego
Expected Date of Issuance:	August 25, 2018

Information

Housing Type:	Non-targeted
Geographic Area:	San Diego County
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	10	10%
At or Below 60% AMI:	89	90%

Unit Mix

1	SRO/Studio Units
68	1-Bedroom Units
31	2-Bedroom Units
100	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	SRO/Studio	60%	60%	$1,023
61	1 Bedroom	60%	60%	$1,095
7	1 Bedroom	50%	50%	$913
27	2 Bedrooms	60%	60%	$1,314
3	2 Bedrooms	50%	50%	$1,095
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $34,510,740

Project Cost Summary at Application

Land and Acquisition	$15,300,000
Construction Costs	$0
Rehabilitation Costs	$8,367,000
Construction Contingency	$836,700
Relocation	$1,876,429
Architectural/Engineering	$99,000
Const. Interest, Perm. Financing	$1,607,431
Legal Fees, Appraisals	$247,500
Reserves	$276,282
Other Costs	$551,181
Developer Fee	$3,836,108
Commercial Costs	$0
Total	**$32,997,632**

Residential

Construction Cost Per Square Foot:	$104
Per Unit Cost:	$329,976
True Cash Per Unit Cost*:	$185,106

Construction Financing

Source	Amount
Citi Community Capital	$15,951,319
Seller Note	$12,150,947
Seller Note Interest	$364,528
Bond Performance Deposit Refund	$79,757
Deferred Fees and Costs	$3,577,698
Tax Credit Equity	$868,101

Permanent Financing

Source	Amount
Citi Community Capital	$9,380,000
Seller Note	$13,150,947
Seller Note Interest	$364,528
Bond Performance Deposit Refund	$79,757
Deferred Developer Fee	$1,336,108
Tax Credit Equity	$8,686,292
TOTAL	**$32,997,632**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$13,540,158
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$15,870,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,540,158
Qualified Basis (Acquisition):	$15,870,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$434,541
Maximum Annual Federal Credit, Acquisition:	$518,949
Total Maximum Annual Federal Credit:	$953,490
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,836,108
Investor/Consultant:	Raymond James Financial, Inc.
Federal Tax Credit Factor:	$0.91100

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:	$29,410,158
Actual Eligible Basis:	$29,410,158
Unadjusted Threshold Basis Limit:	$27,272,946
Total Adjusted Threshold Basis Limit:	$30,000,241

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: 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 meet 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

The applicant requested and has been granted a partial waiver to the mobility feature and communication feature requirements that meet the requirements of Chapter 11(B) by providing the required units in just one of the two buildings at the project instead of having these units distributed throughout the project. The project shall still provide the standard requirement as to the number of units with a minimum of 10% of the low-income units with mobility features and 4% with communication features.

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-2000-831). 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.

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-2000-831) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC regulation section 10320(b)(4)(B).

Local Reviewing Agency
The Local Reviewing Agency, the City of San Diego/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.