

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

Las Praderas (a/k/a Calexico Ramin), located at the northeast corner of Rancho Frontera Avenue and Meadow Drive in Calexico, requested and is being recommended for a reservation of \$728,777 in annual federal tax credits and \$2,429,258 in total state tax credits to finance the new construction of 59 units of housing serving large families with rents affordable to households earning 30-60% 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 56.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-18-127

Project Name Las Praderas (a/k/a Calexico Ramin)
Site Address: Northeast corner of Rancho Frontera Avenue and Meadow Drive
Calexico, CA 92231 County: Imperial
Census Tract: 119.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$728,777	\$2,429,258
Recommended:	\$728,777	\$2,429,258

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

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

General Partner(s) / Principal Owner(s): Pacific Southwest Community Development Corp.
CIC Las Praderas, LLC

General Partner Type: Joint Venture

Parent Company(ies): Pacific Southwest Community Development Corp.
Chelsea Investment Corporation

Developer: Chelsea Investment Corporation

Investor/Consultant: The Richman Group

Management Agent(s): CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 60
 No. & % of Tax Credit Units: 59 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA 514 & USDA 521 Rental Assistance (59 units / 100%)

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	7 10%
At or Below 35% AMI:	7 10%
At or Below 40% AMI:	7 10%
At or Below 45% AMI:	7 10%
At or Below 50% AMI:	7 10%
At or Below 60% AMI:	24 40%

Unit Mix

44 2-Bedroom Units
 16 3-Bedroom Units

 60 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
19 2 Bedrooms	60%	60%	\$807
5 2 Bedrooms	50%	50%	\$672
5 2 Bedrooms	45%	45%	\$605
5 2 Bedrooms	40%	40%	\$538
5 2 Bedrooms	35%	35%	\$470
5 2 Bedrooms	30%	30%	\$403
5 3 Bedrooms	60%	60%	\$931
2 3 Bedrooms	50%	50%	\$776
2 3 Bedrooms	45%	45%	\$698
2 3 Bedrooms	40%	40%	\$621
2 3 Bedrooms	35%	35%	\$543
2 3 Bedrooms	30%	30%	\$465
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$22,548,900

Project Cost Summary at Application

Land and Acquisition	\$1,121,704
Construction Costs	\$11,157,061
Rehabilitation Costs	\$0
Construction Contingency	\$565,938
Relocation	\$0
Architectural/Engineering	\$705,970
Const. Interest, Perm. Financing	\$1,056,173
Legal Fees, Appraisals	\$141,000
Reserves	\$173,628
Other Costs	\$1,400,651
Developer Fee	\$2,170,879
Commercial Costs	\$0
Total	\$18,493,003

Residential

Construction Cost Per Square Foot:	\$188
Per Unit Cost:	\$308,217
True Cash Per Unit Cost*:	\$291,051

Construction Financing

Source	Amount
Rabobank	\$15,267,288
Deferred Fees and Expenses	\$1,866,546
Tax Credit Equity	\$1,359,169

Permanent Financing

Source	Amount
Rabobank - Tranche B	\$3,405,600
USDA 514 Loan	\$4,755,000
Deferred Developer Fee	\$1,029,960
Solar Tax Credit Equity	\$241,315
Tax Credit Equity	\$9,061,128
TOTAL	\$18,493,003

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,097,527
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$8,097,527
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$728,777
Total State Credit:	\$2,429,258
Approved Developer Fee in Project Cost:	\$2,170,879
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	\$0.96000
State Tax Credit Factor:	\$0.85000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$8,097,527
Actual Eligible Basis:	\$15,872,527
Unadjusted Threshold Basis Limit:	\$17,641,728
Total Adjusted Threshold Basis Limit:	\$18,514,514

Adjustments to Basis Limit

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	46.328%

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 9.0% 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: None

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of a public high school that the project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	0
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	0	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.