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

Salerno, located at northeast corner of Sand Canyon Avenue and Nightmist in Irvine, requested and is being recommended for a reservation of $1,618,407 in annual federal tax credits to finance the new construction of 79 units of housing serving tenants 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 37 and Assembly District 68.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers, VASH Project-based Vouchers, and HUD Section 811 Project Rental Assistance Demonstration (PRA) Contract through CalHFA.

Project Number CA-19-451

Project Name Salerno

Site Address:	Northeast corner of Sand Canyon Avenue and Nightmist	
	Irvine, CA 92618	County: Orange
Census Tract:	524.18	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,618,407	$0
Recommended:	$1,618,407	$0

Applicant Information

Applicant:	Cypress Village 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):	Cypress Village CIC, LP United Cerebral Palsy of Los Angeles, Ventura, and Santa Barbara Counties
General Partner Type:	Joint Venture
Parent Company(ies):	Chelsea Investment Corporation United Cerebral Palsy of Los Angeles, Ventura, and Santa Barbara Counties
Developer:	Chelsea Investment Corporation
Investor/Consultant:	Citibank, N.A.
Management Agent:	CIC Management

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	2
Total # of Units:	80
No. / % of Low Income Units:	79 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	HUD Section 8 Project-based Vouchers (10 units - 12%) VASH Project-based Vouchers (15 units - 19%) HUD Section 811 Project-based Vouchers (10 units - 12%) HOME

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	June 30, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	Orange County
TCAC Project Analyst:	Pavlos Mayakis

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	35	44%
50% AMI:	34	43%
60% AMI:	10	13%

Unit Mix

24	1-Bedroom Units
16	2-Bedroom Units
40	3-Bedroom Units
80	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
21	1 Bedroom	30%	27%	$556
2	1 Bedroom	50%	45%	$927
1	1 Bedroom	60%	54%	$1,112
14	2 Bedrooms	50%	42%	$1,043
2	2 Bedrooms	60%	51%	$1,251
14	3 Bedrooms	30%	24%	$695
18	3 Bedrooms	50%	41%	$1,159
7	3 Bedrooms	60%	49%	$1,391
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$10,000
Construction Costs	$25,248,689
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$1,267,056
Soft Cost Contingency	$235,198
Relocation	$0
Architectural/Engineering	$400,000
Const. Interest, Perm. Financing	$2,030,596
Legal Fees	$262,500
Reserves	$314,576
Other Costs	$4,964,631
Developer Fee	$4,644,257
Commercial Costs	$92,426
Total	**$39,469,929**

Residential

Construction Cost Per Square Foot:	$339
Per Unit Cost:	$492,219
True Cash Per Unit Cost*:	$299,474

Construction Financing

Source	Amount
Citi Community Capital	$25,400,000
Irvine Community Land Trust	$6,800,000
City of Irvine - HOME	$429,300
Accrued Interest	$201,038
Deferred Developer Fee	$4,321,223
Tax Credit Equity	$2,318,368

Permanent Financing

Source	Amount
Citi Community Capital	$12,046,600
Irvine Community Land Trust	$6,800,000
County of Orange - PSH	$1,462,860
City of Irvine - HOME	$477,000
Accrued Interest	$201,038
Developer Fee Contribution	$2,144,257
Deferred Developer Fee	$882,390
Tax Credit Equity	$15,455,784
TOTAL	**$39,469,929**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$37,725,099
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$49,042,629
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$1,618,407
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,644,257
Investor/Consultant:	Citibank, N.A.
Federal Tax Credit Factor:	$0.95500

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:	$37,725,099
Actual Eligible Basis:	$37,817,525
Unadjusted Threshold Basis Limit:	$28,776,528
Total Adjusted Threshold Basis Limit:	$78,725,996

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 43%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 88%

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 3.30% 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: None

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 becoming certified under Green Communities.
- The project will exceed 2016 Title 24 Standards for New Construction by 7% of the California Building Code.
- The project commits to irrigate only with reclaimed water, greywater, or rainwater (excluding community gardens)