

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report Tax-Exempt Bond Project July 17, 2019

14C VHHP Apartments, located at 1 14th Street in San Diego, requested and is being recommended for a reservation of \$1,114,053 in annual federal tax credits to finance the new construction of 80 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 39 and Assembly District 78.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-19-487

Project Name 14C VHHP Apartments

Site Address: 1 14th Street
San Diego, CA 92101 County: San Diego

Census Tract: 52.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,114,053	\$0
Recommended:	\$1,114,053	\$0

Applicant Information

Applicant: 14th & Commercial CIC-VHHP, 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-VHHP 14th & Commercial, LLC
S.V.D.P. Management, Inc.

General Partner Type: Joint Venture

Parent Company(ies): Chelsea Investment Corporation
S.V.D.P. Management, Inc.

Developer: Chelsea Investment Corporation

Investor/Consultant: Richman Group Tax Credit Equity

Management Agent: Hyder & Company

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 81

No. / % of Low Income Units: 80 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (40 units - 50%)

Bond Information

Issuer: San Diego Housing Commission
 Expected Date of Issuance: October 1, 2019

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting</u>		<u>Percentage of</u>
30% AMI:	40	50%
60% AMI:	40	50%

Unit Mix

76 SRO/Studio Units
<u>5 1-Bedroom Units</u>
81 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>
40 SRO/Studio	30%	30%	\$511
36 SRO/Studio	60%	60%	\$1,022
4 1 Bedroom	60%	60%	\$1,095
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,903,784
Construction Costs	\$19,820,613
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$991,031
Soft Cost Contingency	\$169,206
Relocation	\$0
Architectural/Engineering	\$947,230
Const. Interest, Perm. Financing	\$2,428,599
Legal Fees	\$60,700
Reserves	\$376,200
Other Costs	\$1,270,762
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$32,368,125

Residential

Construction Cost Per Square Foot:	\$391
Per Unit Cost:	\$399,606
True Cash Per Unit Cost*:	\$349,046

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank, N.A.	\$22,000,000	Citibank, N.A.	\$2,450,647
San Diego Housing Commission	\$4,888,612	HCD - VHHP	\$10,000,000
Seller Carryback Loan	\$3,908,698	San Diego Housing Commission	\$5,350,000
Tax Credit Equity	\$1,570,815	Seller Carryback Loan	\$3,908,698
		Deferred Developer Fee	\$186,683
		Tax Credit Equity	\$10,472,097
		TOTAL	\$32,368,125

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$25,968,594
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$33,759,172
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,114,053
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Richman Group Tax Credit Equity
Federal Tax Credit Factor:	\$0.94000

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:	\$25,968,594
Actual Eligible Basis:	\$25,968,594
Unadjusted Threshold Basis Limit:	\$19,423,918
Total Adjusted Threshold Basis Limit:	\$45,653,339

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing
Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are
Income Targeted at 35% AMI or Below: 100%

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 or 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

This project is a simultaneous phase with another four percent (4%) project named 14th & Commercial Apartments (CA-19-488). Both projects are located on a 1.06-acre lot being developed as multiple simultaneous phases using the same credit type pursuant to TCAC Regulation Section 10327(c)(2)(C). The developer fees for both phases comply with the requirements for simultaneous phases.

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.

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 to 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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.