

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

14th & Commercial Apartments, located at 1 14th Street in San Diego, requested and is being recommended for a reservation of \$5,368,332 in annual federal tax credits to finance the new construction of 323 units of housing serving tenants with rents affordable to households earning 25-50% 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 NPLH, MHP, IIG, SGC-AHSC programs of HCD.

Project Number CA-19-488

Project Name 14th & Commercial 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:	\$5,368,332	\$0
Recommended:	\$5,368,332	\$0

Applicant Information

Applicant: 14th & Commercial 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 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: 326
 No. / % of Low Income Units: 323 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / Section 8 Project-based Vouchers (230 units - 71%)

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: Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting		Percentage of
Number of Units		Affordable Units
35% AMI:	281	87%
50% AMI:	42	13%

Unit Mix

281 SRO/Studio Units
 19 1-Bedroom Units
 26 2-Bedroom Units

 326 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
60 SRO/Studio	25%	25%	\$426
49 SRO/Studio	35%	35%	\$596
172 SRO/Studio	30%	30%	\$511
17 1 Bedroom	50%	50%	\$912
25 2 Bedrooms	50%	50%	\$1,095
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$19,736,216
Construction Costs	\$89,242,448
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$4,462,122
Soft Cost Contingency	\$669,728
Relocation	\$0
Architectural/Engineering	\$3,812,309
Const. Interest, Perm. Financing	\$10,015,064
Legal Fees	\$244,300
Reserves	\$1,404,509
Other Costs	\$5,231,888
Developer Fee	\$16,322,079
Commercial Costs	\$0
Total	\$151,140,663

Residential

Construction Cost Per Square Foot:	\$414
Per Unit Cost:	\$463,622
True Cash Per Unit Cost*:	\$425,061

Construction Financing

Source	Amount
Citibank, N.A.	\$101,000,000
Seller Carryback	\$15,731,302
San Diego Housing Commission	\$5,862,500
HCD - IIG	\$3,250,000
AHP	\$2,000,000
Deferred Costs	\$15,727,513
Tax Credit Equity	\$7,569,348

Permanent Financing

Source	Amount
Citibank, N.A.	\$7,303,551
Seller Carryback	\$15,731,302
San Diego Housing Commission	\$6,150,000
HCD - SHMHP	\$20,000,000
HCD - AHSC	\$17,950,000
HCD - IIG	\$3,250,000
HCD - NPLH	\$15,722,792
AHP	\$2,000,000
Developer Fee Contribution	\$12,152,079
Deferred Developer Fee	\$418,618
Tax Credit Equity	\$50,462,321
TOTAL	\$151,140,663

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$125,135,937
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$162,676,718
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$5,368,332
Approved Developer Fee (in Project Cost & Eligible Basis):	\$16,322,079
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:	\$125,135,937
Actual Eligible Basis:	\$125,135,937
Unadjusted Threshold Basis Limit:	\$80,548,336
Total Adjusted Threshold Basis Limit:	\$257,664,722

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: 13%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 172%

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

The project will be serving 230 special needs tenants, all receiving HUD Section 8 Project-based Vouchers as well as some designated under HCD programs. Under the No Place Like Home (NPLH) Program, 60 units will be designated for persons with a serious mental illness who are homeless or chronically homeless with incomes at or below 25% AMI. Under the Supportive Housing Multifamily Family Housing (MHP) Program, 69 studio units will be designated for individuals exiting institutional settings and 62 studio units will be designated for individuals/families experiencing chronic homelessness with incomes at or below 30% AMI. The remaining 39 units not under a HCD program will be permanent supportive housing (PSH) units for homeless or chronically homeless households with disabilities.

The project is a simultaneous phase with 14C VHHP Apartments (CA-19-487). Both projects are located within a 1.06 acre lot being developed as multiple simultaneous phases. The developer fees for both phases comply with the requirements for simultaneous phases pursuant to TCAC Regulation Section 10327(c)(2)(C).

The current legal description is part of a larger site and the project site's parcel (legal description and APN) have not yet been finalized. Prior to closing, a condominium plan will be recorded to create separate legal parcels after the parcel map has been approved with the City. The legal description and APN for the project must be completed prior to submitting the placed in service package.

Consistent with California State law, the project must commit to employ minimum of 4 on-site manager units. Pursuant to TCAC Regulation Section 10325(f)(7)(J), in lieu of 4 on-site manager units, the project is committing to provide 3 on-site manager units and one on-site full-time property management staff as well as provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

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 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.