

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 16, 2019**

East Block Family Apartments, located at 4320 44th Street in San Diego, requested and is being recommended for a reservation of \$1,703,367 in annual federal tax credits to finance the new construction of 77 units of housing serving large families with rents affordable to households earning 50-60% 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.

Project Number CA-19-556

Project Name East Block Family Apartments
Site Address: 4340 44th St
San Diego, CA 92115 County: San Diego
Census Tract: 23.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,703,367	\$0
Recommended:	\$1,703,367	\$0

Applicant Information

Applicant: Fairmount Family Housing 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 Fairmount Family Housing, LLC
Fairmount and El Cajon Realty, LLC
General Partner Type: Joint Venture
Parent Company(ies): Chelsea Investment Corporation
Price Philanthropies Foundation
Developer: Chelsea Investment Corporation
Investor/Consultant: Richman Group Tax Credit Equity
Management Agent: Chelsea Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 78
 No. / % of Low Income Units: 77 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: San Diego Housing Commission
 Expected Date of Issuance: January 10, 2020

Information

Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 8	10%
60% AMI: 69	90%

Unit Mix

33 2-Bedroom Units
45 3-Bedroom Units
 78 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
29 2 Bedrooms	60%	60%	\$1,444
3 2 Bedrooms	50%	50%	\$1,203
40 3 Bedrooms	60%	60%	\$1,669
5 3 Bedrooms	50%	48%	\$1,337
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,010
Construction Costs	\$26,726,158
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,336,308
Soft Cost Contingency	\$158,107
Relocation	\$0
Architectural/Engineering	\$1,819,640
Const. Interest, Perm. Financing	\$2,918,214
Legal Fees	\$390,000
Reserves	\$293,033
Other Costs	\$2,454,733
Developer Fee	\$5,178,980
Commercial Costs	\$0
Total	\$41,285,183

Residential

Construction Cost Per Square Foot:	\$254
Per Unit Cost:	\$529,297
True Cash Per Unit Cost*:	\$490,886

Construction Financing

Source	Amount
Citibank	\$24,000,000
County of San Diego - IHTF**	\$4,500,000
General Partner Loan	\$6,000,000
Accrued/Deferred Interest	\$787,501
Deferred Costs	\$4,396,518
Tax Credit Equity	\$1,601,165

Permanent Financing

Source	Amount
Citibank	\$10,990,000
County of San Diego - IHTF**	\$4,500,000
General Partner Loan	\$6,000,000
Accrued/Deferred Interest	\$787,501
Deferred Developer Fee	\$2,996,036
Tax Credit Equity	\$16,011,646
TOTAL	\$41,285,183

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

**Innovative Housing Trust Fund

Determination of Credit Amount(s)

Requested Eligible Basis:	\$39,810,516
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$51,753,670
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,703,367
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,178,980
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:	\$39,810,516
Actual Eligible Basis:	\$39,810,516
Unadjusted Threshold Basis Limit:	\$29,934,240
Total Adjusted Threshold Basis Limit:	\$41,170,184

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

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: 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 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 current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-19-557 must be completed as part of the placed in service package.

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.