CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 15, 2020

6th & Cesar Chavez, located at the northeast corner of 6th Street and Cesar Chavez Street in Coachella, requested and is being recommended for a reservation of $1,391,222 in annual federal tax credits and $6,290,551 in total state tax credits to finance the new construction of 104 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will be located in Senate District 56 and Assembly District 28.

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 HCD AHSC program.

Project Number	CA-20-425	
Project Name	6th & Cesar Chavez	
Site Address:	Northeast corner of 6th Street and Cesar Chavez Street	
	Coachella, CA 92236	County: Riverside
Census Tract:	457.07	

Tax Credit Amounts	**Federal/Annual**	**State/Total** *
Requested:	$1,391,222	$6,290,551
Recommended:	$1,391,222	$6,290,551

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

Applicant Information

Applicant:	6th & Cesar Chavez CIC, LP
Contact:	Colleen Edwards
Address:	6339 Paseo Del Lago Carlsbad, CA 92011
Phone:	323-590-0233
Email:	cedwards@chelseainvestco.com

General Partner(s) or Principal Owner(s):	CIC 6th & Cesar Chavez LLC Pacific Southwest Community Development Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	Chelsea Investment Corporation Pacific Southwest Community Development Corporation
Developer:	Chelsea Investment Corporation
Investor/Consultant:	The Richman Group
Management Agent:	CIC Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	105
No. / % of Low Income Units:	104 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (8 units - 7%) / HOME
Utility Allowance:	CUAC

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	June 11, 2020

Information

Housing Type:	Large Family
Geographic Area:	Riverside County
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	22	21%
50% AMI:	82	79%

Unit Mix

50	1-Bedroom Units
28	2-Bedroom Units
27	3-Bedroom Units
105	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
40	1 Bedroom	50%	50%	$673
10	1 Bedroom	30%	30%	$404
21	2 Bedrooms	50%	50%	$808
4	2 Bedrooms	30%	30%	$485
2	2 Bedrooms	30%	30%	$485
21	3 Bedrooms	50%	50%	$933
6	3 Bedrooms	30%	30%	$560
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$2,837,270
Construction Costs	$19,805,122
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$1,094,370
Soft Cost Contingency	$439,708
Relocation	$0
Architectural/Engineering	$936,500
Const. Interest, Perm. Financing	$2,300,835
Legal Fees	$232,500
Reserves	$779,477
Other Costs	$12,603,888
Developer Fee	$5,196,482
Commercial Costs	$750,000
Total	**$46,976,152**

Residential	
Construction Cost Per Square Foot:	$219
Per Unit Cost:	$440,249
True Cash Per Unit Cost*:	$411,997

Construction Financing

Source	Amount
Banner Bank	$25,000,000
Banner Bank Taxable Loan	$2,610,000
CA Dept. of Development Svcs.	$1,160,000
County of Riverside - HOME	$900,000
City of Coachella Loan	$9,240,000
Deferred Costs & Fees	$325,500
Tax Credit Equity	$2,707,053

Permanent Financing

Source	Amount
Banner Bank	$5,520,000
HCD AHSC Loan	$8,395,407
CA Dept. of Development Svcs.	$1,160,000
County of Riverside - HOME	$1,000,000
City of Coachella Loan	$9,240,000
Deferred Costs and Fees	$325,500
Contributed Developer Fee	$1,696,482
Deferred Developer Fee	$1,318,069
Solar Tax Credit Equity	$273,672
Tax Credit Equity	$18,047,022
TOTAL	**$46,976,152**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$42,938,941
130% High Cost Adjustment:	No
Requested Eligible Basis:	$0
Applicable Fraction:	100.00%
Qualified Basis:	$42,938,941
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$1,391,222
Total State Credit:	$6,290,551
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,196,482
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	$0.94000
State Tax Credit Factor:	$0.79000

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:	$42,938,941
Actual Eligible Basis:	$42,938,941
Unadjusted Threshold Basis Limit:	$34,364,924
Total Adjusted Threshold Basis Limit:	$77,297,453

Adjustments to Basis Limit

Local Development Impact Fees.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 78%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 42%

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, with the exception that the combined builder overhead, profit and general requirements costs exceed the maximum 14% of construction costs. 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 3.24% 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 applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.