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

Countryside II Family Apartments, located at 1725 Adams Avenue in El Centro, requested and is being recommended for a reservation of $750,216 in annual federal tax credits and $4,096,618 in total state tax credits to finance the to finance the new construction 55 units of housing serving large families with rents affordable to households earning 30-55% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will be located in Senate District 40 and Assembly District 56.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-20-440

Project Name Countryside II Family Apartments
Site Address: 1725 Adams Avenue
El Centro, CA 92243 County: Imperial
Census Tract: 112.02

Tax Credit Amounts	**Federal/Annual**	**State/Total** *
Requested:	$750,216	$4,096,618
Recommended:	$750,216	$4,096,618

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

Applicant Information

Applicant:	Countryside II 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 Countryside, LLC Southern California Housing Collaborative
General Partner Type:	Joint Venture
Parent Company(ies):	Chelsea Investment Corporation Southern California Housing Collaborative
Developer:	Chelsea Investment Corporation
Investor/Consultant:	The Richman Group
Management Agent:	CIC Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	2
Total # of Units:	56
No. / % of Low Income Units:	55 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / HUD Section 8 Project-based Vouchers (12 units - 22%)
Utility Allowance:	CUAC

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	June 1, 2020

Information

Housing Type:	Large Family
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	19	35%
50% AMI:	14	25%
55% AMI:	22	40%

Unit Mix

8 1-Bedroom Units
32 2-Bedroom Units
16 3-Bedroom Units
56 Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	50%	50%	$608
4	1 Bedroom	30%	30%	$364
22	2 Bedrooms	55%	55%	$803
4	2 Bedrooms	50%	50%	$730
3	2 Bedrooms	30%	30%	$438
2	2 Bedrooms	30%	30%	$438
6	3 Bedrooms	50%	50%	$842
10	3 Bedrooms	30%	30%	$505
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$890,755
Construction Costs	$12,572,565
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$637,778
Soft Cost Contingency	$73,073
Relocation	$0
Architectural/Engineering	$698,490
Const. Interest, Perm. Financing	$740,605
Legal Fees	$203,589
Reserves	$120,584
Other Costs	$1,173,093
Developer Fee	$2,118,536
Commercial Costs	$0
Total	**$19,229,068**

Residential

Construction Cost Per Square Foot:	$262
Per Unit Cost:	$343,376
True Cash Per Unit Cost*:	$323,381

Construction Financing

Source	Amount
Banner Bank - T.E. Bonds	$10,700,000
HCD - HOME	$5,000,000
Deferred Costs	$1,979,670
Tax Credit Equity	$1,549,399

Permanent Financing

Source	Amount
Banner Bank - T.E. Bonds	$2,780,000
HCD - HOME	$5,000,000
Deferred Developer Fee	$1,119,744
Tax Credit Equity	$10,329,324
TOTAL	**$19,229,068**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$17,811,391
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$23,154,809
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$750,216
Total State Credit:	$4,096,618
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,118,536
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	$0.94000
State Tax Credit Factor:	$0.80000

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:	$17,811,391
Actual Eligible Basis:	$17,811,391
Unadjusted Threshold Basis Limit:	$19,530,608
Total Adjusted Threshold Basis Limit:	$42,182,397

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 25%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 68%

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 3.24% 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 for annual rental subsidy over the 15-year pro forma projection is overstated due to the inclusion of CUAC utility allowances. Staff reduced annual revenue projections accordingly and concluded the project does not meet the 1.15 DCR requirement in the first three years. Pursuant to TCAC Regulation Section 10327(g), TCAC shall allow the applicant to correct the cash flow shortage at placed in service.

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this existing 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.