

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 15, 2020**

Fairbanks Terrace II, located at the southeast corner of Paseo del Sur and Templeton Street in San Diego, requested and is being recommended for a reservation of \$439,683 in annual federal tax credits and \$1,210,246 in total state tax credits to finance the new construction of 30 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will located in Senate District 38 and Assembly District 77.

Project Number CA-20-441
Project Name Fairbanks Terrace II
Site Address: Southeast corner of Paseo del Sur and Templeton Street
San Diego, CA 92127
Census Tract: 170.30

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$439,683	\$1,210,246
Recommended:	\$439,683	\$1,210,246

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

Applicant Information

Applicant: Fairbanks Terrace II 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 Fairbanks Terrace II, LLC
Pacific Southwest Community Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): Sage Too Investment Corporation
Chelsea Investment Corporation
Developer: Chelsea Investment Corporation
Investor/Consultant: U.S. Bancorp Community Development Corp.
Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 31
No. / % of Low Income Units: 30 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt

Bond Information

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

Information

Housing Type: Seniors
 Geographic Area: San Diego County
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 9	30%
60% AMI: 21	70%

Unit Mix

25 1-Bedroom Units
6 2-Bedroom Units
31 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>
18 1 Bedroom	60%	60%	\$1,203
7 1 Bedroom	50%	50%	\$1,003
3 2 Bedrooms	60%	60%	\$1,444
2 2 Bedrooms	50%	50%	\$1,203
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,521,374
Construction Costs	\$5,467,871
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$273,394
Soft Cost Contingency	\$59,237
Relocation	\$0
Architectural/Engineering	\$533,025
Const. Interest, Perm. Financing	\$539,753
Legal Fees	\$187,500
Reserves	\$90,120
Other Costs	\$1,028,168
Developer Fee	\$1,241,621
Commercial Costs	\$0
Total	\$10,942,063

Residential

Construction Cost Per Square Foot:	\$213
Per Unit Cost:	\$352,970
True Cash Per Unit Cost*:	\$287,872

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$5,600,000	Citibank	\$1,080,000
Citibank Taxable Loan	\$1,133,000	Citibank Taxable Loan	\$1,950,000
Seller Reimbursement Note	\$1,521,373	Seller Carryback Loan	\$2,204,233
Seller Gap Loan	\$682,860	Seller Loan Accrued Interest	\$34,130
Seller Loan Accrued Interest	\$34,130	Deferred Developer Fee	\$496,649
Deferred Costs	\$1,194,142	Tax Credit Equity	\$5,177,051
Tax Credit Equity-Federal	\$633,080	TOTAL	\$10,942,063
Tax Credit Equity-State	\$143,478		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,438,816
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,570,461
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$439,683
Total State Credit:	\$1,210,246
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,241,621
Investor/Consultant:	U.S. Bancorp Community Development Corp.
Federal Tax Credit Factor:	\$0.96000
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:	\$10,438,816
Actual Eligible Basis:	\$10,438,816
Unadjusted Threshold Basis Limit:	\$8,829,950
Total Adjusted Threshold Basis Limit:	\$13,089,535

Adjustments to Basis Limit

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: 30%

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: None.

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.