

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Brawley Adams II, located at 1598 C Street in Brawley, requested and is being recommended for a reservation of \$1,326,230 in annual federal tax credits to finance the new construction of 59 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.

Brawley Adams II will be receiving rental assistance in the form of the Joe Serna Jr. Farmworker Housing Grant. The project financing includes state funding from the IIG program of HCD.

Project Number CA-20-144

Project Name Brawley Adams II
Site Address: 1598 C Street
Brawley, CA 92227 **County:** Imperial
Census Tract: 104.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,326,230	\$0
Recommended:	\$1,326,230	\$0

Applicant Information

Applicant: Brawley Adams 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) / Principal Owner(s): CIC Brawley Adams II, 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: Richman Tax Credit Equity

Management Agent(s): CIC Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 5
Total # of Units: 60
No. & % of Tax Credit Units: 59 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: None

Information

Set-Aside: Rural
Housing Type: Large Family
Geographic Area: Inland Empire Region
TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 9	15%
At or Below 45% AMI: 15	25%
At or Below 50% AMI (Rural): 16	25%
At or Below 55% AMI (Rural): 19	30%

Unit Mix

14 1-Bedroom Units
28 2-Bedroom Units
18 3-Bedroom Units
60 Total Units

Unit Type & Number	2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 1 Bedroom	55%	55%	\$721
6 1 Bedroom	50%	50%	\$655
3 1 Bedroom	45%	45%	\$590
2 1 Bedroom	30%	30%	\$392
12 2 Bedrooms	55%	55%	\$867
6 2 Bedrooms	50%	50%	\$787
6 2 Bedrooms	45%	45%	\$708
4 2 Bedrooms	30%	30%	\$472
4 3 Bedrooms	55%	55%	\$999
4 3 Bedrooms	50%	50%	\$908
6 3 Bedrooms	45%	45%	\$817
3 3 Bedrooms	30%	30%	\$545
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,762,711
Construction Costs	\$11,615,606
Rehabilitation Costs	\$0
Construction Contingency	\$714,275
Relocation	\$0
Architectural/Engineering	\$866,675
Const. Interest, Perm. Financing	\$1,090,319
Legal Fees	\$164,500
Reserves	\$111,896
Other Costs	\$1,818,656
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$20,344,638

Residential

Construction Cost Per Square Foot:	\$217
Per Unit Cost:	\$339,077
True Cash Per Unit Cost*:	\$321,577

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Banner Bank Construction Loan	\$14,983,431	Banner Bank	\$1,970,000
IVHA Land Donation	\$1,050,000	IVHA Land Donation	\$1,050,000
HCD - IIG	\$1,501,632	HCD - IIG	\$1,501,632
Deferred Fees and Costs	\$1,615,968	Joe Serna, Jr., Farmworker Housing	\$3,820,157
Tax Credit Equity	\$1,193,607	Deferred Developer Fee	\$66,776
		Tax Credit Equity	\$11,936,073
		TOTAL	\$20,344,638

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,340,245
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,742,319
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,326,230
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Richman Tax Credit Equity
Federal Tax Credit Factor:	\$0.90000

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$11,340,245
Actual Eligible Basis:	\$18,340,245
Unadjusted Threshold Basis Limit:	\$20,096,834
Total Adjusted Threshold Basis Limit:	\$21,073,602

Adjustments to Basis Limit

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	47.188%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 3 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
INSERT APPLICABLE PUBLIC SCHOOL LANGUAGE	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.