

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 9, 2020**

Corallina, located at 6155 Carmel Valley Road in San Diego, requested and is being recommended for a reservation of \$235,440 in annual federal tax credits to finance the new construction of 16 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 helsea Investment Corporation and will be located in Senate District 39 and Assembly District 77.

**Project Number** CA-20-691

**Project Name** Corallina  
 Site Address: 6155 Carmel Valley Road  
 San Diego, CA 92130 County: San Diego  
 Census Tract: 215.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$235,440	\$0
Recommended:	\$235,440	\$0

**Applicant Information**

Applicant: Corallina 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 Corallina, LLC  
 Pacific Southwest Community Development Corp.

General Partner Type: Joint Venture

Parent Company(ies): Chelsea Investment Corporation  
 Pacific Southwest Community Development Corp.

Developer: Chelsea Investment Corporation

Investor/Consultant: Richman Tax Credit Equity

Management Agent: CIC Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 17  
 No. / % of Low Income Units: 16 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: April 5, 2021

**Information**

Housing Type: Large Family  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Franklin Cui

**55-Year Use / Affordability**

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
50% AMI: 5	31%
60% AMI: 11	69%

**Unit Mix**

4 1-Bedroom Units
7 2-Bedroom Units
6 3-Bedroom Units
<u>17 Total Units</u>

<u>Unit Type</u> <u>&amp; Number</u>	<u>2020 Rents</u> <u>Targeted % of</u> <u>Area Median</u> <u>Income</u>	<u>2020 Rents Actual</u> <u>% of Area Median</u> <u>Income</u>	<u>Proposed</u> <u>Rent</u> <u>(including</u> <u>utilities)</u>
3 1 Bedroom	60%	60%	\$1,298
1 1 Bedroom	50%	50%	\$1,082
4 2 Bedrooms	60%	60%	\$1,558
2 2 Bedrooms	50%	50%	\$1,298
4 3 Bedrooms	60%	60%	\$1,800
2 3 Bedrooms	50%	50%	\$1,500
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

### **Project Cost Summary at Application**

Land and Acquisition	\$543,866
Construction Costs	\$3,075,581
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$153,779
Soft Cost Contingency	\$85,926
Relocation	\$0
Architectural/Engineering	\$491,488
Const. Interest, Perm. Financing	\$307,076
Legal Fees	\$192,500
Reserves	\$57,089
Other Costs	\$381,487
Developer Fee	\$664,860
Commercial Costs	\$0
<b>Total</b>	<b>\$5,953,652</b>

### **Residential**

Construction Cost Per Square Foot:	\$162
Per Unit Cost:	\$350,215
True Cash Per Unit Cost*:	\$334,635

### **Construction Financing**

<u>Source</u>	<u>Amount</u>
Citi Construction Loan tax exempt	\$3,300,000
Citi Construction loan taxable	\$347,842
Offsite infrastructure loan	\$543,865
Master Developer loan	\$585,970
Deferred Costs	\$851,067
Tax Credit Equity	\$324,908

### **Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citi Permanent Loan	\$2,111,000
Offsite infrastructure loan	\$543,865
Master Developer loan	\$585,970
Deferred General Contractor fee	\$260,058
Deferred Developer Fee	\$264,863
Solar Tax Credit Equity	\$21,848
Tax Credit Equity	\$2,166,048
<b>TOTAL</b>	<b>\$5,953,652</b>

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

### **Determination of Credit Amount(s)**

Requested Eligible Basis:	\$5,589,753
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$7,266,679
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$235,440
Approved Developer Fee (in Project Cost & Eligible Basis):	\$664,860
Investor/Consultant:	Richman Tax Credit Equity
Federal Tax Credit Factor:	\$0.92000

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:	\$5,589,753
Actual Eligible Basis:	\$5,589,753
Unadjusted Threshold Basis Limit:	\$6,406,576
Total Adjusted Threshold Basis Limit:	\$9,033,273

**Adjustments to Basis Limit**

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: 31%

**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.