

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**April 30, 2009**

**Project Number** CA-2009-808

**Project Name** Lakeside Silver Sage Apartments  
**Address:** 11719 Woodside Avenue  
Lakeside, CA 92040 County: San Diego

**Applicant Information**

**Applicant:** Chelsea Investment Corporation and CIC Lakeside Silver Sage, L.P.  
**Contact** Charles Schmid  
**Address:** 5993 Avenida Encinas  
Carlsbad, CA 92008  
**Phone:** (760) 456-6000 x 102 **Fax:** (760) 456-6001  
**Email:** charlesschmid@chelseainvestco.com  
**Sponsors Type:** Joint Venture

**Information**

**Housing Type:** Large Family

**Bond Information**

**Issuer:** CA Municipal Finance Authority  
**Expected Date of Issuance:** June 30, 2009  
**Credit Enhancement:** N/A

**Eligible Basis**

**Actual:** \$17,786,563  
**Requested:** \$17,786,563  
**Maximum Permitted:** \$31,591,322

**Extra Feature Adjustments:**

**Required to Pay Prevailing Wages:** 20%  
**3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:** 4%  
**Local Development Impact Fees:** \$1,675,651  
**55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted  
Between 50% AMI & 36% AMI:** 16%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
<b>Requested:</b>	\$809,208	\$0
<b>Recommended:</b>	\$809,208	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** N/A  
**HCD MHP Funding:** Yes

Total # of Units: 80  
 Total # Residential Buildings: 14

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
 % & No. of Targeted Units: 100% - 79 units  
 55-Year Use/Affordability Restriction: Yes  
 Number of Units @ or below 50% of area median income: 16  
 Number of Units @ or below 60% of area median income: 63

<u>Unit Type &amp; Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 Two-Bedroom	50%	\$843
16 Two-Bedroom	60%	\$1115
12 Three-Bedroom	50%	\$974
47 Three-Bedroom	60%	\$1289

The general partners or principal owners are Pacific Southwest Community Development Corporation and CIC Lakeside Silversage, LLC

The project developer is Chelsea Investment Corporation

The management services will be provided by CIC Management

The market analysis was provided by Lea & Company

The Local Reviewing Agency has completed a site review and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$23,778,520 Per Unit Cost: \$297,232 Construction Cost Per Sq. Foot: \$142

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank – Tax Exempt Bond	\$12,093,453	US Bank – Tax Exempt Bond	\$8,100,000
County of San Diego – HCD	\$8,500,000	County of San Diego – HCD	\$8,500,000
Tax Credit Equity	\$3,185,067	Deferred Developer Fee	\$300,255
		Tax Credit Equity	\$6,878,265
		<b>TOTAL</b>	<b>\$23,778,520</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$17,786,563  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100%  
 Qualified Basis: \$23,122,532  
 Applicable Rate: 3.50%  
 Total Maximum Annual Federal Credit: \$809,208

Approved Developer Fee:	\$2,319,986
Tax Credit Factor: <i>The Richman Group</i>	\$.85

Applicant requests and staff recommends annual federal credits of \$809,208 based on a qualified basis of \$23,122,532 and a funding shortfall of \$6,878,264.

**Cost Analysis and Line Item Review**

The requested eligible basis \$17,786,563 is below TCAC’s adjusted threshold basis limit \$31,591,322. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, for projects that are required to pay local development impact fees, a 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items including the following: exceeding Title 24 by at least 15%, using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, and using vent kitchen range hoods to the exterior of the building in at least 80% of the units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitation.

Annual operating expenses 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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** None

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
<b>\$809,208</b>	<b>\$0</b>

**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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

**Additional Conditions:** The applicant/owner is required to provide the tenants with after school programs and educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: David Navarrette