

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 24, 2010**

**Project Number** CA-2010-813

**Project Name** Landings Phase 2

Address: Burdock Way  
Chula Vista, CA 91910

County: San Diego

**Applicant Information**

Applicant: Landings 2, L.P.

Contact Wally Dieckmann

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Carlsbad, CA 92008

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Sponsors Type: Joint Venture

**Information**

Housing Type: Large Family

**Bond Information**

Issuer: City of Chula Vista

Expected Date of Issuance: May 12, 2009

Credit Enhancement: N/A

**Tax Credit Amounts**

**Federal/Annual**

**State/Total**

Requested: \$2,107,945 \$0

Recommended: \$2,107,945 \$0

**Project Information**

Construction Type: New Construction

Federal Subsidy: Tax-Exempt

HCD MHP Funding: No

Total # of Units: 143

Total # Residential Buildings: 25

Federal Setaside Elected: 40%/60%

% & No. of Targeted Units: 98% - 141 units

55-Year Use/Affordability Restriction: Yes

Number of Units @ or below 50% of area median income: 28

Number of Units @ or below 60% of area median income: 113

**Eligible Basis**

Actual: \$48,698,919

Requested: \$48,698,919

Maximum Permitted: \$52,973,240

**Adjustments to Threshold Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 19%

<b>Unit Type &amp; Number</b>	<b>2009 Rents Targeted % of Area Median Income</b>	<b>2009 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
28 Three-bedroom Units	50%	50%	\$1,073
113 Three-bedroom Units	60%	60%	\$1,288
2 Three-bedroom Units	Manager's Unit	Manager's Unit	\$0

The general partner(s) or principal owner(s) are Pacific Southwest Community Development Corporation and CIC Landings 2, LLC.

The project developer is Athena Development Services, LLC.

The management services will be provided by CIC Management, Inc.

The market analysis was provided by Novogradac & Company, LLP.

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.

**Project Financing**

Estimated Total Project Cost: \$50,675,331 Per Unit Cost: \$354,373 Construction Cost Per Sq. Foot: \$209

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
US Bank	\$26,302,647	US Bank	\$11,624,289
Shea Residual Receipts	\$11,400,000	Shea Residual Receipts	\$11,400,000
City of Chula Vista	\$4,400,000	City of Chula Vista	\$4,000,000
GP Equity	\$2,404,932	GP Equity.	\$2,404,932
Investor Equity	\$3,077,600	Deferred Developer Fee	\$1,458,110
		City of Chula Vista	\$4,400,000
		Investor Equity	\$15,388,000
		<b>TOTAL</b>	<b>\$50,675,331</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$48,698,919
130% High Cost Adjustment:	Yes
Applicable Fraction:	98%
Qualified Basis:	\$62,423,159
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$2,107,945
Approved Developer Fee (in Project Cost & E.B.):	\$2,500,000
Investor:	Raymond James
Federal Tax Credit Factor:	\$.73

**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 limitation. Annual operating expenses meet 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:** The impact fees in the Sources/Uses Budget shows an amount of \$5,375,391 while attachment 18A in the application shows an amount of \$7,103,513. The developer explained the difference was paid in Phase I of the project and only the balance is being paid with this phase.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
\$2,107,945	\$0

#### **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:** None

**Project Analyst:** DC Navarrette