

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2007

Project Number CA-2007-886

Project Name The Landings
Address: Discovery Falls Drive and Crossroads Street
 Chula Vista, CA 91915 County: San Diego

Applicant Information

Applicant: CIC Landings, L.P.
Contact Mr. Wally Dieckmann
Address: 5993 Avenida Encinas, Suite 101
 Carlsbad, CA 92008
Phone: (760) 456-6000 **Fax:** (760) 456-6001
Sponsors Type: Joint Venture

Bond Information

Issuer: Housing Authority of the City of Chula Vista
Expected Date of Issuance: November 20, 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$26,465,734
Requested: \$26,465,734
Maximum Permitted: \$48,894,645

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20%
Local Development Impact Fees: **55-Year Use/Rent Restriction Adjustment:** 120%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,204,191	\$0
Recommended:	\$1,204,191	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 92
Total # Residential Buildings: 15

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 91 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 44
Number of Units @ or below 60% of area median income: 47

<u>Unit Type & Number</u>	<u>2007 Rents</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
47 Three-Bedroom	55%	\$1,095
12 Three-Bedroom	50%	\$912
32 Three-Bedroom	30%	\$547
1 Three-Bedroom	Manager's Unit	\$0

The project developers are Pacific Southwest Community Development Corporation and Ajax-Landings, 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: \$27,681,688 Per Unit Cost: \$300,888 Construction Cost Per Sq. Ft.: \$147

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Chula Vista H.A. – Tax Ex. Bonds	\$16,747,497	Chula Vista H.A.– Tax Ex. Bonds	\$6,004,000
City of Chula Vista RDA	\$920,000	HCD – MHP	\$6,931,052
Deferred Developer Fee	\$1,709,191	City of Chula Vista RDA	\$920,000
Investor Equity	\$8,305,000	Sponsor Loan	\$1,300,000
		Deferred Developer Fee	\$606,636
		Investor Equity	\$11,920,000
		TOTAL	\$27,681,688

Determination of Credit Amount(s)

Requested Eligible Basis:	\$26,465,734
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$34,405,454
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,204,191
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,500,000
Tax Credit Factor:	\$0.98987

Applicant requests and staff recommends annual federal credits of \$1,204,191, based on a qualified basis of \$34,405,454 and a funding shortfall of \$11,920,000.

Cost Analysis and Line Item Review

The requested eligible basis \$26,465,734 is below TCAC’s adjusted threshold basis limit \$48,894,645. The basis limit includes the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, local development impact fees, and the adjustment for projects required to pay prevailing wages. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations.

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 3.60% 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 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.

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:

\$1,204,191 Federal/Annual

\$0 State/Total

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.

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 on going after school programs and education classes such as English as a second language and computer training, free of charge to the tenants 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: Jack Waegell