

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

**Project Number** CA-2007-887

**Project Name** Glen Ridge Apartments  
**Address:** PA15, North side of Cannon Road, East of Wind Trail Way and South of Glen Ave.  
Carlsbad, CA 92008 County: San Diego

**Applicant Information**

**Applicant:** CIC Glen Ridge, L.P.  
**Contact** 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 Carlsbad  
**Expected Date of Issuance:** 11/20/2007  
**Credit Enhancement:** No

**Eligible Basis**

**Actual:** \$20,821,904  
**Requested:** \$20,821,904  
**Maximum Permitted:** \$34,686,056

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

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$947,397	\$0
Recommended:	\$947,397	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** Yes  
**Total # of Units:** 78  
**Total # Residential Buildings:** 3

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 77 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 52  
**Number of Units @ or below 60% of area median income:** 25

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 One-Bedroom	55%	\$723
6 One-Bedroom	50%	\$658
6 One-Bedroom	35%	\$460
10 Two-Bedroom	55%	\$869
9 Two-Bedroom	50%	\$790
10 Two-Bedroom	35%	\$553
10 Three-Bedroom	55%	\$965
10 Three-Bedroom	50%	\$877
11 Three-Bedroom	35%	\$614

The general partner(s) or principal owner(s) are Pacific Southwest Community Development Corporation and Ajax-Glen Ridge, LLC.

The project developer is Ajax Development Services, LLC.

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

The market analysis was provided by Novogradac & Company.

The Local Reviewing Agency, the City of Carlsbad Housing & Redevelopment Department, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$21,849,380 Per Unit Cost: \$280,120 Construction Cost Per Sq. Foot: \$147

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
California Municipal Finance Authority	\$12,486,056	California Municipal Finance Authority	\$3,883,000
Deferred Developer Fee	\$1,739,324	Pacific Southwest Community Development Corporation	\$1,100,000
Pacific Southwest Community Development Corporation	\$1,100,000	City of Carlsbad	\$1,014,000
Investor Equity	\$6,524,000	HCD - MHP	\$5,921,777
		Ajax Development Services, LLC	\$552,603
		Investor Equity	\$9,378,000
		<b>TOTAL</b>	<b>\$21,849,380</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$20,821,904
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$27,068,475
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$947,397
Approved Developer Fee:	\$2,500,000
Tax Credit Factor:	\$.98987

Applicant requests and staff recommends annual federal credits of \$947,397 based on a qualified basis of \$27,068,475 and a funding shortfall of \$9,378,000.

**Cost Analysis and Line Item Review**

The requested eligible basis \$20,821,904 is below TCAC's adjusted threshold basis limit \$34,686,056. The basis limit includes the adjustment for extraordinary features for, the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, projects that are required to pay state or federal prevailing wages, local development impact fees. 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 3.60% 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:

Federal/Annual	State/Total
<b>\$947,397</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.

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.

Project Analyst: Dave Heng