

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2009

Project Number CA-2009-858

Project Name South Mill Creek Apartments
Address: 1401 S Street
Bakersfield, CA 93301 County: Kern

Applicant Information

Applicant: Chelsea Investment Corporation and
Pacific Southwest Community Development Corporation
On behalf of CIC South Mill Creek, L.P.
Contact Erin Autry Montgomery
Address: 5993 Avenida Encinas, Suite 101
Carlsbad, CA 92008
Phone: (760) 456-6000 Fax: (760) 456-6001
Email: erin@chelseainvestco.com
Sponsors Type: Joint Venture

Information

Housing Type: Large Family

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: March 2010
Credit Enhancement: None

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$534,752	\$0
Recommended:	\$534,752	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: Yes
Total # of Units: 70
Total # Residential Buildings: 11
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 69 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 69

Eligible Basis

Actual:	\$14,341,757
Requested:	\$14,341,757
Maximum Permitted:	\$38,170,842

Adjustments to Threshold Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 90%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units that are Income Targeted at 35% AMI or Below: 20%
- 3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
 - Projects exceeding Title 24 by at least 15%
 - Projects using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system
 - Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 One-bedroom Unit	30%	30%	\$313
4 One-bedroom Units	40%	40%	\$418
5 One-bedroom Units	50%	50%	\$523
2 Two-bedroom Units	30%	30%	\$376
10 Two-bedroom Units	40%	40%	\$502
12 Two-bedroom Units	50%	50%	\$627
4 Three-bedroom Units	30%	30%	\$435
15 Three-bedroom Units	40%	40%	\$580
16 Three-bedroom Units	50%	50%	\$725
1 Three-bedroom Unit	Manager's Unit	Manager's Unit	\$0

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

The project developer is Chelsea Investment Corporation.

The management services will be provided by CIC Management.

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: \$15,762,709 Per Unit Cost: \$225,182 Construction Cost Per Sq. Foot: \$149

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Rabobank	\$9,171,637	Rabobank	\$1,592,000
City of Bakersfield - Land Note	\$659,999	City of Bakersfield - Land Note	\$659,999
Bakersfield Redevelopment Agency	\$2,450,000	Bakersfield Redevelopment Agency	\$2,450,000
Deferred Developer Fee	\$388,482	HCD MHP	\$4,600,000
Investor Equity	\$1,929,900	Deferred Developer Fee	\$690,000
		Investor Equity	\$4,545,395
		TOTAL	\$15,762,709

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,341,757
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$18,644,285
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$534,752
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor:	The Richman Group
Federal Tax Credit Factor:	\$0.85

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 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 Tax Credits/Annual	State Tax Credits/Total
\$534,752	\$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: The applicant/owner is required to provide the tenants with educational classes and an afterschool program free of charge 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: Gina Ferguson