

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2024 Second Round

October 2, 2024

Arc Village Apartments, located at South of 73255 Country Club Drive in Palm Desert, requested and is being recommended for a reservation of \$1,532,725 in annual federal tax credits to finance the new construction of 39 units of housing serving families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will be located in Senate District 18 and Assembly District 47.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-24-132

Project Name Arc Village Apartments
Site Address: South of 73255 Country Club Drive
Palm Desert, CA 92260
County: Riverside
Census Tract: 449.29

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,532,725	\$0
Recommended:	\$1,532,725	\$0

Applicant Information

Applicant: Chelsea Investment Corporation
Contact: Cheri Hoffman
Address: 6339 Paseo Del Lago
Carlsbad, CA 92011
Phone: 760-456-6000
Email: cherihoffman@chelseainvestco.com

General Partner(s) / Principal Owner(s): Pacific Southwest Community Development Corp.
CIC Arc Village, LLC
General Partner Type: Joint Venture
Parent Company(ies): Pacific Southwest Community Development Corp.
Chelsea Investment Corporation
Developer: Chelsea Investment Corporation
Investor/Consultant: The Richman Group Equity
Management Agent(s): ConAm Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 40
No. & % of Tax Credit Units: 39 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (8 Units - 20%)

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Inland Empire Region
 CTCAC Project Analyst: Sopida Steinwert

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	4	10%
At or Below 40% AMI:	8	20%
At or Below 50% AMI:	12	30%
At or Below 60% AMI:	15	35%

Unit Mix

20 1-Bedroom Units
10 2-Bedroom Units
10 3-Bedroom Units
<u>40 Total Units</u>

<u>Unit Type & Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	60%	\$1,134
6 1 Bedroom	50%	\$961
2 1 Bedroom	40%	\$769
2 1 Bedroom	40%	\$769
2 1 Bedroom	30%	\$576
4 2 Bedrooms	60%	\$1,359
3 2 Bedrooms	50%	\$1,097
1 2 Bedrooms	40%	\$922
1 2 Bedrooms	40%	\$922
1 2 Bedrooms	30%	\$658
4 3 Bedrooms	60%	\$1,572
3 3 Bedrooms	50%	\$1,219
1 3 Bedrooms	40%	\$1,066
1 3 Bedrooms	40%	\$1,066
1 3 Bedrooms	30%	\$731
1 1 Bedroom	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,705,000
Construction Costs	\$13,620,246
Rehabilitation Costs	\$0
Construction Contingency	\$1,238,193
Relocation	\$0
Architectural/Engineering	\$978,054
Const. Interest, Perm. Financing	\$1,599,403
Legal Fees	\$495,000
Reserves	\$131,601
Other Costs	\$1,379,797
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$23,647,294

Residential

Construction Cost Per Square Foot:	\$368
Per Unit Cost:	\$591,182
True Cash Per Unit Cost*:	\$541,354

Construction Financing

Source	Amount
Banner Bank	\$13,411,887
Palm Desert Housing Authority (PDHA)	\$3,000,000
PDHA: Land Donation	\$1,680,000
Inland Regional Center	\$1,500,000
Deferred Costs	\$2,675,955
Tax Credit Equity	\$1,379,452

Permanent Financing

Source	Amount
Banner Bank	\$3,260,000
Palm Desert Housing Authority	\$3,000,000
PDHA: Land Donation	\$1,680,000
Inland Regional Center	\$1,500,000
Deferred Developer Fee	\$313,122
Solar Tax Credit Equity	\$99,650
Tax Credit Equity	\$13,794,523
TOTAL	\$23,647,294

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,101,522
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,031,978
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,532,725
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	The Richman Group Equity
Federal Tax Credit Factor:	\$0.90000

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	Large Family
Self-Score Final:	63.239%
CTCAC Final:	63.239%

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Palm Desert, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary 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 as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit station or public bus stop	4	4	4
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 mile of a pharmacy	2	2	2
Highest or High Resource Area	8	8	8
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	109	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL REAPPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.