

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2010 First Round**  
**June 9, 2010**

**Project Number** CA-2010-111

**Project Name** Gateway Palms Apartments  
 Site Address: 949 4th St. and 909-920 Line St.  
 Hollister, CA 95023 County: San Benito  
 Census Tract: 700.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$600,872	\$2,002,905
Recommended:	\$600,872	\$2,002,905

**Applicant Information**

Applicant: South County Housing Corporation  
 Contact: Seth Capron  
 Address: 7455 Carmel Street  
 Gilroy, CA 95020  
 Phone: 408-843-9253 Fax: 408-842-0277  
 Email: seth@scounty.com

General partner(s) or principal owner(s): South County Housing Corporation  
 General Partner Type: Nonprofit  
 Developer: South County Housing Corporation  
 Investor/Consultant: Community Economics  
 Management Agent: South County Property Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 5  
 Total # of Units: 31  
 No. & % of Tax Credit Units: 30 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME  
 Affordability Breakdown by % (Lowest Income Points):  
     30% AMI: 10 %  
     40% AMI: 20 %  
     50% AMI: 40 %

**Information**

Set-Aside: Rural  
 Housing Type: Large Family  
 Geographic Area: N/A  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

2 SRO/Studio Units
8 1-Bedroom Units
6 2-Bedroom Units
12 3-Bedroom Units
3 4-Bedroom Units
<hr/> 31 Total Units

<u>Unit Type &amp; 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>
2 SRO/Studio	30%	30%	\$422
2 1 Bedroom	30%	30%	\$452
6 1 Bedroom	40%	40%	\$603
1 2 Bedrooms	30%	30%	\$543
5 2 Bedrooms	50%	49%	\$881
1 3 Bedrooms	30%	30%	\$627
10 3 Bedrooms	50%	48%	\$997
1 4 Bedrooms	30%	30%	\$699
2 4 Bedrooms	50%	46%	\$1,077
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost:	\$10,167,145	Construction Cost Per Square Foot:	\$148
		Per Unit Cost:	\$327,972

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank	\$3,489,319	City of Hollister RDA	\$2,211,726
City of Hollister RDA	\$2,211,726	City of Hollister RDA (Land)	\$449,000
City of Hollister RDA (Land)	\$449,000	State of California HCD-HOME	\$2,000,000
State of California HCD-HOME	\$2,000,000	Deferred Developer Fee	\$298,865
Tax Credit Equity	\$1,041,511	Tax Credit Equity	\$5,207,554
		<b>TOTAL</b>	<b>\$10,167,145</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$6,676,351
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$6,676,351
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$600,872
Total State Credit:	\$2,002,905
Approved Developer Fee (in Project Cost & Eligible Basis):	\$997,243
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.70000
State Tax Credit Factor:	\$0.50000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$6,676,351
Actual Eligible Basis:	\$7,645,531
Unadjusted Threshold Basis Limit:	\$6,418,006
Total Adjusted Threshold Basis Limit:	\$6,877,351

**Adjustments to Basis Limit:**

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Second:	<b>80.175%</b>

**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 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information:**

Applicant requested and was granted a waiver for onsite play equipment related to the Large Family housing type, based on the project's proximity to two nearby public parks.

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**Local Reviewing Agency:**

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

**Recommendation:** Staff recommends that the Committee make a preliminary 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**  
**\$600,872**

**State Tax Credits/Total**  
**\$2,002,905**

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC 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 TCAC.

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

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 TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit 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.

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 ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. 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.

**Additional Conditions:** None

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1,500 feet of a regular bus stop or rapid transit system stop	3	3	3
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Large Family proj. w/i ½ mile of public school project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Sustainable Building Methods</b>	<b>8</b>	<b>8</b>	<b>8</b>
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
No-VOC interior paint	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Formaldehyde-free insulation	1	1	1
Recycled materials incorp. into concrete, carpet, road base, landscape	1	1	1
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>State Credit Substitution</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>146</b>	<b>146</b>	<b>146</b>

**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 RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**