

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2011 Second Round

September 28, 2011

Project Number CA-2011-117

Project Name Sea Garden Apartments
Site Address: Northwest Corner of Axtell Street and Preston Street
Castroville, CA 95012 County: Monterey
Census Tract: 104.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$857,145	\$0
Recommended:	\$857,145	\$0

Applicant Information

Applicant: CHISPA, Inc.
Contact: Dana Cleary
Address: 295 Main Street, Suite 100
Salinas, CA 93901
Phone: 831-757-6251 Fax: 831-757-6268
Email: dcleary@chispahousing.org

General partner(s) or principal owner(s): CHISPA, Inc.
General Partner Type: Nonprofit
Developer: CHISPA, Inc.
Investor/Consultant: City Real Estate Advisors, Inc.
Management Agent: CHISPA Housing Management, Inc. (CHMI)

Project Information

Construction Type: New Construction
Total # Residential Buildings: 10
Total # of Units: 59
No. & % of Tax Credit Units: 58 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME / RHS 538
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 6 10 %
50% AMI (Rural): 34 50 %
55% AMI (Rural): 18 30 %

Information

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

Unit Mix

32 2-Bedroom Units
 27 3-Bedroom Units

 59 Total Units

Unit Type & Number	2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 2 Bedrooms	30%	30%	\$458
23 2 Bedrooms	50%	50%	\$763
6 2 Bedrooms	55%	55%	\$840
3 3 Bedrooms	30%	30%	\$529
11 3 Bedrooms	50%	50%	\$881
12 3 Bedrooms	55%	55%	\$969
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,010

Project Financing

Estimated Total Project Cost: \$15,393,816
 Estimated Residential Project Cost: \$15,393,816

Residential

Construction Cost Per Square Foot: \$148
 Per Unit Cost: \$260,912

Construction Financing

Permanent Financing

Source	Amount	Source	Amount
Rabobank, NA	\$9,262,269	Bonneville Multifamily Mortgage	\$2,772,365
HCD - HOME	\$2,500,000	HCD - HOME	\$2,500,000
Monterey County RDA	\$2,300,000	Monterey County RDA	\$2,300,000
General Partner Advance	\$130,572	Deferred Developer Fee	\$450,000
		Tax Credit Equity	\$7,371,451
		TOTAL	\$15,393,816

Determination of Credit Amount(s)

Requested Eligible Basis: \$7,326,030
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$9,523,839
 Applicable Rate: 9.00%
 Total Maximum Annual Federal Credit: \$857,145
 Approved Developer Fee (in Project Cost & Eligible Basis): \$955,569
 Investor/Consultant: City Real Estate Advisors, Inc.
 Federal Tax Credit Factor: \$0.86000

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:	\$7,326,030
Actual Eligible Basis:	\$12,762,840
Unadjusted Threshold Basis Limit:	\$14,376,960
Total Adjusted Threshold Basis Limit:	\$15,299,513

Adjustments to Basis Limit:

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Community gardens of at least 60 square feet per unit
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	47.811%

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: The project received a waiver from TCAC on June 24, 2011 of the build-and-fill policy under regulation section 10322(h)(9) due to the extraordinary demand present in the primary market area.

The syndicator letter states total syndication expenses will be roughly 10.5% of gross proceeds. Per regulation section 10327(c)(3) this cannot exceed 10% in a private offering. The developer is advised the total syndication expenses must be in compliance with regulations by placed in service.

A washer and dryer will be provided in each unit to the tenants free of charge.

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, the County of Monterey Redevelopment & Housing Office, 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	State Tax Credits/Total
\$857,145	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-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 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 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
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 neighborhood market of at least 5,000 sf	3	3	3
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
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: Greenpoint Rated	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 25%	5	5	5
Develop project to requirements of: GreenPoint Rated Multifami 100	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.