

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2012 Second Round**

**October 10, 2012**

**Project Number** CA-12-194

**Project Name** Haciendas Apartments II  
Site Address: Near or at 275 Calle Cebu  
Salinas, CA 93901 County: Monterey  
Census Tract: 18.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$790,575	\$3,162,298
Recommended:	\$790,575	\$3,162,298

**Applicant Information**

Applicant: Monterey County Housing Authority Development Corporation (HDC)  
Contact: Starla Warren  
Address: 123 Rico Street  
Salinas, CA 93907  
Phone: (831) 775-5016 Fax: (831) 775-5013  
Email: swarren@hamonterey.org

General partner(s) or principal owner(s): Housing Authority, LLC  
General Partner Type: Nonprofit  
Developer: Monterey County HA Development Corp.  
Investor/Consultant: CSG Advisors  
Management Agent: Housing Authority of the County of Monterey

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 4  
Total # of Units: 46  
No. & % of Tax Credit Units: 45 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HOME / HUD Project-Based Section 8 Contract (11 units - 24%)  
Affordability Breakdown by Units and % (Lowest Income Points):  
30% AMI: 5 10 %  
40% AMI: 5 10 %  
50% AMI (Rural): 23 50 %

**Information**

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

**Unit Mix**

6 1-Bedroom Units
20 2-Bedroom Units
17 3-Bedroom Units
3 4-Bedroom Units
<hr/>
46 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 2 Bedrooms	30%	30%	\$467
2 3 Bedrooms	30%	30%	\$540
1 4 Bedrooms	30%	30%	\$602
1 1 Bedroom	40%	40%	\$519
2 2 Bedrooms	40%	40%	\$623
2 3 Bedrooms	40%	40%	\$720
3 1 Bedroom	50%	50%	\$649
10 2 Bedrooms	50%	50%	\$778
9 3 Bedrooms	50%	50%	\$900
1 4 Bedrooms	50%	50%	\$1,003
2 1 Bedroom	60%	60%	\$779
5 2 Bedrooms	60%	60%	\$934
4 3 Bedrooms	60%	60%	\$1,080
1 4 Bedrooms	60%	60%	\$1,204
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost:	\$15,962,469
Estimated Residential Project Cost:	\$15,101,003
Estimated Commercial Project Cost:	\$861,466

**Residential**

Construction Cost Per Square Foot:	\$150
Per Unit Cost:	\$328,283

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Bank of America / Construction Loan	\$8,429,721
HDC-HACM Land	\$1,390,000
HDC-HACM Improvements	\$1,775,000
HDC Subordinate Loan	\$250,000
City of Salinas HOME	\$500,000
City of Salinas Deferred Fees	\$409,579
Tax Credit Equity	\$2,390,460

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Bank of America / Tranche A	\$913,598
Bank of America / Tranche B	\$845,524
HDC-HACM Land	\$1,390,000
HDC-HACM Improvements	\$1,775,000
HDC Subordinate Loan	\$250,000
City of Salinas HOME	\$500,000
City of Salinas Deferred Fees	\$409,579
Business Tax Credits (Solar)	\$144,424
Deferred Developer Fee	\$172,506
Tax Credit Equity	\$9,561,838
<b>TOTAL</b>	<b>\$15,962,469</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$10,540,996
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$10,540,996
Applicable Rate:	7.50%
Maximum Annual Federal Credit:	\$790,575
Total State Credit:	\$3,162,298
Approved Developer Fee in Project Cost:	\$1,384,593
Approved Developer Fee in Eligible Basis:	\$1,310,372
Investor/Consultant:	CSG Advisors
Federal Tax Credit Factor:	\$0.95990
State Tax Credit Factor:	\$0.62394

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:	\$10,540,996
Actual Eligible Basis:	\$10,540,996
Unadjusted Threshold Basis Limit:	\$11,426,688
Total Adjusted Threshold Basis Limit:	\$15,199,666

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

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

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- 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:	<b>Large Family</b>
Second:	<b>30.686%</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 7.50% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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:** None

**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 Salinas, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$790,575</b>	<b>\$3,162,298</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed 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

<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>
Cost Efficiency	2	2	2
Public Funds	18	18	18
<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 ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	0
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	0	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
In-unit high speed internet service	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements of: GreenPoint Rated Multifam	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 18%	2	2	2
Develop project to requirements of: GreenPoint Rated Multifami 100	3	3	3
<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>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Universal Design	1	1	1
Smoke Free Residence	1	1	1
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</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.**