

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

East Salinas Family RAD, a scattered site project located in Salinas, requested and is being recommended for a reservation of \$965,865 in annual federal tax credits to finance the acquisition and rehabilitation of 188 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Monterey County Housing Authority Development Corporation and is located in Senate District 12 and Assembly District 30.

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

Project Number CA-15-920

Project Name East Salinas Family RAD

Site Address:	<u>Site 1</u> 1025 and 1039 Sanborn Rd. Salinas, CA 93905 7.02	<u>Site 2</u> 1415 Del Monte Avenue Salinas, CA 93905 7.02
Census Tract:	<u>Site 3</u> 1058 Sanborn Road Salinas, CA 93905 7.02	<u>Site 4</u> 1029 and 1030 Rider Avenue Salinas, CA 93905 7.01
	<u>Site 5</u> 1111 and 1112 Alamo Way Salinas, CA 93905 106.08 and 106.07	<u>Site 6</u> 540 Williams Road Salinas, CA 93905 8.00
	<u>Site 7</u> 312 Williams Road Salinas, CA 93905 8.00	<u>Site 8</u> 737 and 747 Mae Avenue Salinas, CA 93905 7.01
	<u>Site 9</u> 775 and 780 Elkington Ave. Salinas, CA 93905 7.01	<u>Site 10</u> 1062 Sanborn Road Salinas, CA 93905 7.02
	<u>Site 11</u> 1012 Sanborn Road Salinas, CA 93905 7.02	<u>Site 12</u> 1259 Del Monte Avenue Salinas, CA 93905 7.01

Site Address (cont.):	<u>Site 13</u> 1011 Laurel Drive Salinas, CA 93907	<u>Site 14</u> 1113 D Street Salinas, CA 93905
Census Tract (cont.):	18	7.01
	<u>Site 15</u> 24 North Wood Street Salinas, CA 93905 5.01	
County:	Monterey	

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$931,541	\$0
Recommended:	\$931,541	\$0

Applicant Information

Applicant:	East Salinas Family RAD, LP	
Contact:	Starla Warren	
Address:	123 Rico Street Salinas, CA 93907	
Phone:	(831) 796-4660	Fax: (831) 886-1682
Email:	swarren@hdcmonterey.org	

General Partner(s) or Principal Owner(s):	HA RAD LLC3
General Partner Type:	Nonprofit
Parent Company(ies):	Monterey County Housing Authority Dev. Corp.
Developer:	Monterey County Housing Authority Dev. Corp.
Investor/Consultant:	CSG Advisors
Management Agent:	Housing Authority of the County of Monterey

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings	48
Total # of Units:	202
No. & % of Tax Credit Units:	188 94.95%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD RAD Section 8 Project-based Vouchers (196 units - 98%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	188

Bond Information

Issuer:	Housing Authority of the County of Monterey
Expected Date of Issuance:	December 15, 2015
Credit Enhancement:	N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Connie Harina

Unit Mix

35 1-Bedroom Units
 86 2-Bedroom Units
 63 3-Bedroom Units
 18 4-Bedroom Units

 202 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Site 1</u>			
5 1 Bedroom	50%	40%	\$543
21 2 Bedrooms	50%	42%	\$684
2 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$684
* Manager's unit is located at Site 3 (1058 North Sanborn Road)			
<u>Site 2</u>			
22 1 Bedroom	50%	40%	\$543
20 2 Bedrooms	50%	42%	\$684
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$684
<u>Site 3</u>			
8 1 Bedroom	50%	40%	\$543
7 2 Bedrooms	50%	42%	\$684
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
<u>Site 4</u>			
18 2 Bedrooms	50%	37%	\$599
1 3 Bedrooms	50%	46%	\$868
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
2 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$563

<u>Unit Type & Number (Continued)</u>	<u>2015 Rents Targeted % of Area Median Income (Continued)</u>	<u>2015 Rents Actual % of Area Median Income (Continued)</u>	<u>Proposed Rent (including utilities) (Continued)</u>
<u>Site 5</u>			
2 2 Bedrooms	50%	37%	\$599
4 3 Bedrooms	50%	46%	\$868
<u>Site 6</u>			
3 3 Bedrooms	50%	46%	\$868
<u>Site 7</u>			
2 4 Bedrooms	50%	46%	\$975
1 4 Bedrooms	Market Rate Unit	Market Rate Unit	\$917
<u>Site 8</u>			
4 3 Bedrooms	50%	46%	\$868
<u>Site 9</u>			
13 3 Bedrooms	50%	46%	\$868
<u>Site 10</u>			
10 3 Bedrooms	50%	46%	\$868
<u>Site 11</u>			
8 3 Bedrooms	50%	46%	\$868
1 5 Bedrooms	50%	48%	\$1,110
2 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$821
<u>Site 12</u>			
7 3 Bedrooms	50%	46%	\$868
9 4 Bedrooms	50%	46%	\$975
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
<u>Site 13</u>			
9 2 Bedrooms	50%	37%	\$599
4 3 Bedrooms	50%	46%	\$868
2 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$821
<u>Site 14</u>			
1 2 Bedrooms	50%	37%	\$599
4 3 Bedrooms	50%	46%	\$868
1 4 Bedrooms	50%	46%	\$975

<u>Unit Type & Number (Continued)</u>	<u>2015 Rents Targeted % of Area Median Income (Continued)</u>	<u>2015 Rents Actual % of Area Median Income (Continued)</u>	<u>Proposed Rent (including utilities) (Continued)</u>
Site 15			
4 4 Bedrooms	50%	46%	\$975

Project Cost Summary at Application

Land and Acquisition	\$25,915,000
Construction Costs	\$0
Rehabilitation Costs	\$2,596,396
Construction Contingency	\$389,459
Relocation	\$435,000
Architectural/Engineering	\$103,855
Const. Interest, Perm Financing	\$1,190,340
Legal Fees, Appraisals	\$167,700
Reserves	\$648,370
Other Costs	\$754,221
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$34,700,341

Project Financing

Estimated Total Project Cost:	\$34,700,341
Estimated Resid. Project Cost:	\$34,700,341

Residential

Construction Cost Per Square Foot:	\$12
Per Unit Cost:	\$171,784

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo	\$17,195,500
HACM* Seller Financing	\$15,427,923
HACM* Subordinate Loan (Interest)	\$312,873
CDLAC Performance Deposit	\$85,977
Tax Credit Equity	\$1,012,465

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC	\$4,000,000
HACM* Seller Financing	\$15,427,923
HACM* Subordinate Loans	\$4,040,395
HACM* Subordinate Loans	\$875,000
HACM* Subordinate Loan (Interest)	\$312,873
CDLAC Performance Deposit	\$85,977
Tax Credit Equity	\$9,958,173
TOTAL	\$34,700,341

*Housing Authority of the County of Monterey

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,351,338
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$22,786,999
Applicable Fraction:	94.95%
Qualified Basis (Rehabilitation):	\$6,605,389
Qualified Basis (Acquisition):	\$21,636,141
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$217,248
Maximum Annual Federal Credit, Acquisition:	\$713,993
Total Maximum Annual Federal Credit:	\$931,541
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	CSG Advisors
Federal Tax Credit Factor:	\$1.06900

Per Regulation Section 10322(h)(9)(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:	\$28,138,338
Actual Eligible Basis:	\$28,138,338
Unadjusted Threshold Basis Limit:	\$63,563,969
Total Adjusted Threshold Basis Limit:	\$136,026,894

Adjustments to Basis Limit

Required to Pay Prevailing Wages
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 94%

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 3.30% of the qualified basis. 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

This project is a Rental Assistance Demonstration (RAD) project that is converting 19 existing scattered-site public housing sites into a rehabilitated tax credit project. The Housing Authority of the County of Monterey will manage the project.

There are 10 existing households currently in these public housing units that do not qualify as low-income housing tax credit tenants. At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

The applicant requested a waiver of the minimum construction standard requirement of TCAC Regulation Section 10326(g)(6) as specifically described in Section 10325(f)(7)(A) which requires rehabilitated buildings to achieve and document at least a 10% post-rehabilitation improvement over existing conditions energy efficiency achieved at each building. TCAC did not grant this waiver request for 1058 Sanborn Road (Site 3), 1111 and 1112 Alamo Way (Site 5), 737 and 747 Mae Avenue (Site 8), 1062 Sanborn Road (Site 10), and 1113 D Street (Site 14). As a result, these sites must meet the 10% post-rehabilitation improvement requirement required in Section 10325(f)(7)(A). TCAC waived the 10% post-rehabilitation improvement requirement for 1025 and 1039 Sanborn Road (Site 1), 1415 Del Monte Avenue (Site 2), 1029 and 1030 Rider Avenue (Site 4), 540 Williams Road (Site 6), 312 Williams Road (Site 7), 775 and 780 Elkington Avenue (Site 9), 1012 Sanborn Road (Site 11), 1259 Del Monte Avenue (Site 12), 1011 Laurel Drive (Site 13), and 24 North Wood Street (Site 15) provided that for the units not receiving interior renovations, all hot water heaters and refrigerators older than three years at placed-in-service are replaced. Replacement refrigerators shall be Energy Star rated. At place-in-service TCAC will require a certification that the outlined improvements were completed.

The applicant requested and was granted a partial waiver of minimum construction standard requirement for accessibility and communication requirements of TCAC Regulation Section 10326(g)(6) as specifically described in Section 10325(f)(7)(K). The project shall provide at least five percent (5%) of the units complying with the accessibility/mobility feature requirements of California Building Code Chapter 11(B). In addition, the project must comply with all other requirements of Chapter 11(B), including the four percent (4%) communications requirements, and any other Chapter 11(B) requirements that apply to the project outside of the units.

Local Reviewing Agency

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.

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
\$931,541

State Tax Credits/Total
\$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 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 reservation 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.

Additional Conditions: None.