

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

Haciendas 3, located at 131 East Rossi Street in Salinas, requested and is being recommended for a reservation of \$1,449,552 in annual federal tax credits to finance the new construction of 49 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Monterey County Housing Authority Development Corporation and will be located in Senate District 12 and Assembly District 30.

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

Project Number CA-16-035

Project Name Haciendas 3
Site Address: 131 East Rossi Street
 Salinas, CA 93901 County: Monterey
Census Tract: 18.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,449,552	\$0
Recommended:	\$1,449,552	\$0

Applicant Information

Applicant: Monterey County Housing Authority Development Corporation
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) / Principal Owner(s): Housing Authority Limited Liability Company 3
General Partner Type: Nonprofit
Parent Company(ies): Monterey County HA Development Corporation
Developer: Monterey County HA Development Corporation
Investor/Consultant: CSG Advisors
Management Agent(s): Housing Authority of the County of Monterey

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 3
 Total # of Units: 50
 No. & % of Tax Credit Units: 49 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME/HUD Section 8 Project-based Vouchers (12 units - 24%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 40% AMI: 10 20 %
 50% AMI (Rural): 20 40 %

Information

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

Unit Mix

20 1-Bedroom Units
 15 2-Bedroom Units
 15 3-Bedroom Units

 50 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>
1 1 Bedroom	30%	30%	\$408
2 2 Bedrooms	30%	30%	\$489
2 3 Bedrooms	30%	30%	\$565
3 1 Bedroom	40%	40%	\$544
2 2 Bedrooms	40%	40%	\$653
2 3 Bedrooms	40%	40%	\$754
1 1 Bedroom	40%	40%	\$544
1 2 Bedrooms	40%	40%	\$653
1 3 Bedrooms	40%	40%	\$754
8 1 Bedroom	50%	50%	\$680
6 2 Bedrooms	50%	50%	\$816
6 3 Bedrooms	50%	50%	\$942
6 1 Bedroom	60%	60%	\$816
4 2 Bedrooms	60%	60%	\$979
4 3 Bedrooms	60%	60%	\$1,131
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,014,755
Construction Costs	\$13,098,147
Rehabilitation Costs	\$0
Construction Contingency	\$663,000
Relocation	\$40,000
Architectural/Engineering	\$345,000
Construction Interest, Perm Financing	\$567,885
Legal Fees, Appraisals	\$118,000
Reserves	\$302,000
Other Costs	\$1,553,670
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$20,702,457

Project Financing

Estimated Total Project Cost:	\$20,702,457
Estimated Residential Project Cost:	\$20,702,457
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$194
Per Unit Cost:	\$414,049
Effective Per Unit Cost*:	\$369,649

Construction Financing

Source	Amount
Wells Fargo	\$12,070,965
City of Salinas - HOME	\$375,000
Seller Carryback Loan	\$1,860,000
Deferred Impact Fees	\$582,692
Tax Credit Equity	\$5,023,356

Permanent Financing

Source	Amount
Wells Fargo - Tranche A	\$1,179,960
Wells Fargo - Tranche B	\$1,011,400
City of Salinas - HOME	\$375,000
Seller Carryback Loan	\$1,860,000
Deferred Impact Fees	\$582,692
Deferred Developer Fee	\$360,000
Solar Tax Credit Equity	\$113,111
Tax Credit Equity	\$15,220,294
TOTAL	\$20,702,457

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,514,474
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (1%)	\$162,689
Qualified Basis:	\$16,106,128
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,449,552
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	CSG Advisors
Federal Tax Credit Factor:	\$1.05000

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:	\$12,514,474
Actual Eligible Basis:	\$16,561,448
Unadjusted Threshold Basis Limit:	\$13,121,560
Total Adjusted Threshold Basis Limit:	\$17,938,095

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal 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:	Large Family
Final:	24.657%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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, the 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,449,552	\$0

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.

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
Cost Efficiency	20	6	6
Credit Reduction	20	1	1
Public Funds	20	13	13
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 transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	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	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of GreenPoint Rated	5	5	5
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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	138	138	138

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.