CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

Salinas Pointe Apartments, located at 1260 John Street in Salinas, requested and is being recommended for a reservation of $1,139,807 in annual federal tax credits to finance the acquisition and rehabilitation of 164 units of housing serving tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by KDF Communities, LLC and is located in Senate District 12 and Assembly District 30.

Salinas Pointe Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Salinas Pointe Apartments (CA-2003-831). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-538

Project Name Salinas Pointe Apartments
Site Address: 1260 John Street
Salinas, CA 94536 County: Monterey
Census Tract: 9.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,139,807	$0
Recommended:	$1,139,807	$0

Applicant Information
Applicant: Salinas Pointe 2019, LP
Contact: Chris Burns
Address: 230 Newport Center Dr, #210
Newport Beach, CA 92660
Phone: 949-719-1888
Email: cburns@kdfcommunities.com

General Partner(s) or Principal Owner(s): Salinas Pointe COGP, LLC
AHA East Bay MGP, LLC
General Partner Type: Joint Venture
Parent Company(ies): KDF Communities, LLC
Affordable Housing Access, Inc.
Developer: KDF Communities, LLC
Investor/Consultant: R4 Capital
Management Agent: VPM Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	30
Total # of Units:	220
No. / % of Low Income Units:	164 75.23%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	November 21, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	23	14%
60% AMI:	141	86%

Unit Mix

4	SRO/Studio Units
124	1-Bedroom Units
81	2-Bedroom Units
11	3-Bedroom Units
220	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	60%	49%	$778
81	1 Bedroom	60%	53%	$889
52	2 Bedrooms	60%	49%	$1,000
6	3 Bedrooms	60%	48%	$1,111
12	1 Bedroom	50%	44%	$741
9	2 Bedrooms	50%	41%	$833
1	3 Bedrooms	50%	40%	$926
1	SRO/Studio	50%	44%	$691
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$3,700
1	SRO/Studio	Market Rate Unit	Market Rate Unit	$1,125
31	1 Bedroom	Market Rate Unit	Market Rate Unit	$1,300
15	2 Bedrooms	Market Rate Unit	Market Rate Unit	$1,575

Project Cost Summary at Application	
Land and Acquisition	$31,400,000
Construction Costs	$0
Rehabilitation Costs	$7,151,938
Construction Hard Cost Contingency	$712,694
Soft Cost Contingency	$50,000
Relocation	$120,000
Architectural/Engineering	$114,100
Const. Interest, Perm. Financing	$2,106,992
Legal Fees	$150,000
Reserves	$598,736
Other Costs	$235,663
Developer Fee	$5,796,000
Commercial Costs	$0
Total	**$48,436,123**

Residential	
Construction Cost Per Square Foot:	$43
Per Unit Cost:	$220,164
True Cash Per Unit Cost*:	$192,891

Construction Financing

Source	Amount
Citibank	$29,000,000
Seller Carryback	$6,000,000
City of Salinas RDA - Assumed	$1,188,344
Income from Operations	$2,048,239
General Partner Equity	$1,206,239
Tax Credit Equity	$4,328,939

Permanent Financing

Source	Amount
Citibank	$24,647,000
Seller Carryback	$6,000,000
City of Salinas RDA - Assumed	$1,188,344
Income from Operations	$1,987,366
Deferred Developer Fee	$2,636,000
General Partner Equity	$1,206,239
Tax Credit Equity	$10,771,174
TOTAL	**$48,436,123**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,847,113
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$33,536,200
Applicable Fraction:	75.23%
Qualified Basis (Rehabilitation):	$10,608,277
Qualified Basis (Acquisition):	$25,229,068
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$307,248
Maximum Annual Federal Credit, Acquisition:	$832,559
Total Maximum Annual Federal Credit:	$1,139,807
Approved Developer Fee in Project Cost:	$5,796,000
Approved Developer Fee in Eligible Basis:	$5,738,722
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,796,000
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$0.94500

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$44,383,313
Actual Eligible Basis:	$44,383,313
Unadjusted Threshold Basis Limit:	$79,658,368
Total Adjusted Threshold Basis Limit:	$87,624,205

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 meet or 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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2003-831). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-03-831) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $1,206,239. There is a general partner equity contribution of at least $1,206,239, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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.

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.

CDLAC Additional Conditions
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.