CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 25, 2007

Project Number CA-2007-848

Project Name University Village Apartments
Address: TBD
Marina, CA 93933 County: Monterey

Applicant Information
Applicant: South County Housing
Contact Matt Huerta
Address: 9015 Murray Avenue, Suite 100
Gilroy, CA 95020
Phone: (408) 843-9263 Fax: (408) 842-0277
Sponsors Type: Nonprofit

Bond Information
Issuer: National Equity Fund
Expected Date of Issuance: August 1, 2007
Credit Enhancement: N/A

Eligible Basis
Actual: $27,820,805
Requested: $27,820,805
Maximum Permitted: $38,840,294

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
55-Year Use/Rent Restriction Adjustment: 120% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,302,014	$0
Recommended:	$1,302,014	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 108
Total # Residential Buildings: 9

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 107 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 101
Number of Units @ or below 60% of area median income: 6

Unit Type & Number		2007 Rents % of Area Median Income	Proposed Rent (including utilities)
8	One-Bedroom	50%	$605
6	One-Bedroom	60%	$726
10	Two-Bedroom	35%	$508
26	Two-Bedroom	40%	$581
20	Two-Bedroom	50%	$726
10	Three-Bedroom	35%	$587
12	Three-Bedroom	40%	$670
15	Three-Bedroom	50%	$838
1	Three-Bedroom	Manager's Unit	$0

The general partner or principal owner is South County Housing.

The project developer is South County Housing.

The management services will be provided by South County Property Management.

The market analysis was provided by Newport Realty Advisors.

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.

Project Financing
Estimated Total Project Cost: $28,929,085 Per Unit Cost: $267,862 Construction Cost Per Sq. Foot: $170

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank	$20,250,000	Wells Fargo Bank	$1,740,000
Marina Community Partners	$5,312,936	HCD-MHP	$6,825,850
AHP	$432,000	GP Capital	$1,200,000
		Deferred Developer Fee	$100,000
		AHP	$432,000
		South County Housing	$5,312,936
		SCH Deferred Interest	$63,047
		Investor Equity	$13,255,252
		TOTAL	**$28,929,085**

Determination of Credit Amount(s)

Requested Eligible Basis:	$27,820,805
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$36,167,047
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	$1,302,014
Approved Developer Fee:	$2,500,000
Tax Credit Factor:	$1.01

Applicant requests and staff recommends annual federal credits of $1,302,014 based on a qualified basis of $36,167,047 and a funding shortfall of $13,255,252.

Cost Analysis and Line Item Review
The requested eligible basis $27,820,805 is below TCAC's adjusted threshold basis limit $38,840,294. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units and projects that are required to pay state or federal prevailing wages. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: 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.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
$1,302,014	**$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.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

Project Analyst: Elaine Johnson