

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2011 Second Round**  
**September 28, 2011**

**Project Number** CA-2011-116

**Project Name** Salinas Gateway Apartments  
 Site Address: 25 Lincoln Avenue  
 Salinas, CA 93901 County: Monterey  
 Census Tract: 13.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,200,107	\$0
Recommended:	\$1,200,107	\$0

**Applicant Information**

Applicant: Salinas Gateway, LP  
 Contact: Tom Iamesi  
 Address: 75 E Santa Clara Street, Ste 1300  
 San Jose, CA 95113  
 Phone: 408-291-8650 Fax: 408-993-9098  
 Email: tomi@firshousing.org

General partner(s) or principal owner(s): Salinas Gateway, LLC  
 General Partner Type: Nonprofit  
 Developer: First Community Housing  
 Investor/Consultant: Red Stone Equity Partners  
 Management Agent: The John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 52  
 No. & % of Tax Credit Units: 51 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME  
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	6	10 %
40% AMI:	11	20 %
50% AMI (Rural):	21	40 %

**Information**

Set-Aside: Rural  
 Housing Type: Seniors  
 Geographic Area: N/A  
 TCAC Project Analyst: Velia M. Greenwood

**Unit Mix**

25 SRO/Studio Units
21 1-Bedroom Units
6 2-Bedroom Units
<u>52 Total Units</u>

<u>Unit Type &amp; Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	30%	\$356
5 SRO/Studio	40%	40%	\$475
11 SRO/Studio	50%	50%	\$593
7 SRO/Studio	60%	60%	\$712
3 1 Bedroom	30%	30%	\$381
4 1 Bedroom	40%	40%	\$509
8 1 Bedroom	50%	50%	\$636
6 1 Bedroom	60%	60%	\$763
1 2 Bedrooms	30%	30%	\$458
2 2 Bedrooms	40%	40%	\$611
2 2 Bedrooms	50%	50%	\$763
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost:	\$19,051,276
Estimated Residential Project Cost:	\$18,114,260
Estimated Commercial Project Cost	\$937,016

**Residential**

Construction Cost Per Square Foot:	\$171
Per Unit Cost:	\$348,351

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Rabobank NA	\$11,318,348
City of Salinas	\$3,700,000
HCD Infill Infrastructure Grant	\$1,500,000
Tax Credit Equity	\$1,675,650

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
CCRC	\$1,087,000
City of Salinas	\$3,700,000
HCD Infill Infrastructure Grant	\$1,500,000
AHP Loan	\$520,000
Sales Proceeds	\$900,000
Deferred Developer Fee	\$157,304
GP Equity	\$15,970
Tax Credit Equity	\$11,171,002
<b>TOTAL</b>	<b>\$19,051,276</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$10,257,321
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,334,517
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,200,107
Approved Developer Fee in Project Cost:	\$900,000
Approved Developer Fee in Eligible Basis:	\$855,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.93083

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:	\$10,257,321
Actual Eligible Basis:	\$16,600,732
Unadjusted Threshold Basis Limit:	\$8,938,944
Total Adjusted Threshold Basis Limit:	\$11,212,153

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Seniors</b>
Second:	<b>43.038%</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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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:** Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 15 units upon completion of the project prior to the issuance of federal and state tax forms.

**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 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,200,107</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-Day 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>
Public Funds	20	20	20
<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 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	0
Within ½ mile of public library	3	3	3
Within ¼ mile of a weekly farmers' market operating at least 5 months/year	2	2	2
Within 1 mile of medical clinic or hospital	3	3	0
Within 1.5 miles of medical clinic or hospital	2	0	2
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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, minimum 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
<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
Qualified Census Tract	2	2	2
<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.**