

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 11, 2012**

**Project Number** CA-12-831

**Project Name** University Village Apartments  
 Site Address: 2nd Avenue near Imjin Parkway  
 Marina, CA 93933 County: Monterey  
 Census Tract: 141.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,174,619	\$0
Recommended:	\$1,174,619	\$0

**Applicant Information**

Applicant: South County Housing Corporation  
 Contact: Andy Lief  
 Address: 7455 Carmel Street  
 Gilroy, CA 95020  
 Phone: 408-843-9275 Fax: 408-842-0277  
 Email: andy@scounty.com

General partner(s) or principal owner(s): South County Housing Corporation  
 General Partner Type: Nonprofit  
 Developer: South County Housing Corporation  
 Investor/Consultant: Community Economics  
 Management Agent: South County Property Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 9  
 Total # of Units: 108  
 No. & % of Tax Credit Units: 107 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME  
 HCD MHP Funding: Yes  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 11  
 Number of Units @ or below 50% of area median income: 96

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: 08/01/12  
 Credit Enhancement: None

**Information**

Housing Type: Large Family  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

14 1-Bedroom Units  
 56 2-Bedroom Units  
 38 3-Bedroom Units  


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 108 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$389
13 1 Bedroom	50%	50%	\$649
6 2 Bedrooms	30%	30%	\$467
4 2 Bedrooms	40%	35%	\$545
26 2 Bedrooms	40%	40%	\$623
20 2 Bedrooms	50%	50%	\$778
4 3 Bedrooms	30%	30%	\$540
6 3 Bedrooms	40%	35%	\$630
12 3 Bedrooms	40%	40%	\$720
15 3 Bedrooms	50%	50%	\$900
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$29,485,682  
 Estimated Residential Project Cost: \$29,485,682

**Residential**

Construction Cost Per Square Foot: \$131  
 Per Unit Cost: \$273,016

**Construction Financing**

<u>Source</u>	<u>Amount</u>
JP Morgan Chase Bank	\$17,500,000
HCD HOME	\$5,000,000
Santa Barbara Bank and Trust - AHP	\$1,080,000
Sponsor Loan	\$1,849,949
Tax Credit Equity	\$1,668,785

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
JP Morgan Chase Bank	\$1,480,000
HCD HOME	\$5,000,000
HCD MHP	\$6,825,850
Santa Barbara Bank and Trust - AHP	\$1,080,000
Sponsor Loan	\$1,849,949
Deferred interest on soft loans	\$111,250
GP Equity / Deferred Fee	\$1,300,000
Tax Credit Equity	\$11,838,633
<b>TOTAL</b>	<b>\$29,485,682</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$28,236,030
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$36,706,839
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$1,174,619
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.00787

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:	\$28,236,030
Actual Eligible Basis:	\$28,236,030
Unadjusted Threshold Basis Limit:	\$29,665,982
Total Adjusted Threshold Basis Limit:	\$67,935,098

**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: 89%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

**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 3.20% 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:** None

**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>\$1,174,619</b>	<b>\$0</b>

**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 performance deposit and 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:** The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- High Speed Internet
- Educational Classes
- Bona fide service coordinator

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under any one of the following programs: Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project commits to develop to the requirements for meeting GreenPoint Rated Multifamily Guidelines 125.