

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2016 Second Round**

**September 21, 2016**

Castroville Farm Labor Center ("FLC"), a scattered site project located at 11541 Speegle Street and Seymour/Haight/Pajaro Streets in Castroville, requested and is being recommended for a reservation of \$1,291,105 in annual federal tax credits and \$4,301,174 in total state tax credits to finance the new construction of 44 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 (MCHADC) and will be located in Senate District 17 and Assembly District 29.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

**Project Number** CA-16-107

**Project Name** Castroville Farm Labor Center ("FLC")

Site Address:	<u>Site A</u>	<u>Site B</u>
	11541 Speegle Street	Seymour/Haight/Pajaro Streets
	Castroville, CA 95012	Castroville, CA 95012
County:	Monterey	Monterey
Census Tract:	104.00	104.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,291,105	\$4,301,174
Recommended:	\$1,291,105	\$4,301,174

**Applicant Information**

Applicant:	Castroville FLC, LP	
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
General Partner Type:	Nonprofit
Parent Company(ies):	MCHADC
	Housing Authority of the County of Monterey
Developer:	MCHADC
Investor/Consultant:	CSG Advisors
Management Agent(s):	Housing Authority of the County of Monterey

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 8  
 Total # of Units: 54  
 No. & % of Tax Credit Units: 44 85%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / CDBG / USDA RHS 514 /  
 USDA RHS 521 Rental Assistance (44 units - 100%)

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI: 6 10 %  
 40% AMI: 8 15 %  
 50% AMI (Rural): 24 50 %

**Information**

Set-Aside: Rural (RHS 514)  
 Housing Type: Large Family  
 Geographic Area: N/A  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

12 2-Bedroom Units  
 33 3-Bedroom Units  
 9 4-Bedroom Units  


---

 54 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 2 Bedrooms	30%	30%	\$513
4 3 Bedrooms	30%	30%	\$593
1 4 Bedrooms	30%	30%	\$662
1 2 Bedrooms	40%	40%	\$685
6 3 Bedrooms	40%	40%	\$791
1 4 Bedrooms	40%	40%	\$883
6 2 Bedrooms	50%	50%	\$856
14 3 Bedrooms	50%	50%	\$989
4 4 Bedrooms	50%	50%	\$1,103
5 3 Bedrooms	60%	60%	\$1,187
1 4 Bedrooms	60%	60%	\$1,324
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
2 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$975
4 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,124
2 4 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,248

**Project Cost Summary at Application**

Land and Acquisition	\$5,532,421
Construction Costs	\$12,099,098
Rehabilitation Costs	\$0
Construction Contingency	\$665,450
Relocation	\$1,230,000
Architectural/Engineering	\$645,030
Const. Interest, Perm. Financing	\$999,026
Legal Fees, Appraisals	\$155,000
Reserves	\$928,499
Other Costs	\$1,740,412
Developer Fee	\$2,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$25,994,937</b>

**Project Financing**

Estimated Total Project Cost:	\$25,994,937
Estimated Residential Project Cost:	\$25,994,937
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$191
Per Unit Cost:	\$481,388
True Cash Per Unit Cost*:	\$388,516

**Construction Financing**

Source	Amount
Rabobank	\$13,656,671
USDA RHS 514 (Assumed)	\$83,549
County of Monterey (Assumed)**	\$181,362
Seller Carryback Loan	\$5,015,089
Accrued Interest	\$162,571
GP Equity	\$600,000
Tax Credit Equity	\$5,202,195

**Permanent Financing**

Source	Amount
Rabobank	\$650,000
USDA RHS 514	\$3,000,000
USDA RHS 514 (Assumed)	\$83,549
County of Monterey (Assumed)**	\$181,362
Seller Carryback Loan	\$5,015,089
Accrued Interest	\$162,571
GP Equity	\$600,000
Tax Credit Equity	\$16,302,366
<b>TOTAL</b>	<b>\$25,994,937</b>

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

\*\*HOME/CDBG

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$16,953,909
130% High Cost Adjustment:	No
Applicable Fraction:	84.62%
Qualified Basis:	\$14,345,615
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,291,105
Total State Credit:	\$4,301,174
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:	\$1.04613
State Tax Credit Factor:	\$0.65000

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:	\$16,953,909
Actual Eligible Basis:	\$17,674,662
Unadjusted Threshold Basis Limit:	\$17,331,918
Total Adjusted Threshold Basis Limit:	\$22,612,785

**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.
- 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:	<b>Large Family</b>
Final:	<b>42.105%</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 9.0% 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.

**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>\$1,291,105</b>	<b>\$4,301,174</b>

**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 fifteen 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 (Site A, 11541 Speegle Street)</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit station or public bus stop	3	3	3
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 1 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1 mile of a public middle school	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
<b>Site Amenities (Site B, Seymour/Haight/Pajaro Streets)</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit station or public bus stop	3	3	3
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 1 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1 mile of a public middle school	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
<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, min. 84 hrs/yr instruction	7	7	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of:LEED	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>15</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>138</b>	<b>138</b>	<b>138</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.**