CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Monterey Pines Apartments, located at 680 South 37th Street in Richmond, requested and is being recommended for a reservation of $1,765,407 in annual federal tax credits to finance the acquisition and rehabilitation of 324 units of housing serving large families with rents affordable to households earning 40-60% of area median income (AMI). The project will be developed by MRK Partners Inc. and is located in Senate District 9 and Assembly District 15.

Monterey Pines Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, John F. Kennedy Manor (CA-99-100). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-957

Project Name Monterey Pines Apartments
Site Address: 680 South 37th Street
Richmond, CA 94804 County: Contra Costa
Census Tract: 3820.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,765,407	$0
Recommended:	$1,765,407	$0

Applicant Information

Applicant: Monterey Venture LP
Contact: Sydne Garchik
Address: 2711 North Sepulveda Boulevard, Suite 526
Manhattan Beach, CA 90266
Phone: (310) 545-2587 Fax: (484) 210-0671
Email: sgarchik@mrkpartners.com

General Partner(s) or Principal Owner(s): Monterey GP LLC
Pacific Southwest Community Development Corp.
General Partner Type: Joint Venture
Parent Company(ies): Monterey GP LLC
Pacific Southwest Community Development Corp.
Developer: MRK Partners Inc.
Investor/Consultant: Boston Financial
Management Agent: Apartment Management Consultants, LLC

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	26	
Total # of Units:	324	
No. & % of Tax Credit Units:	321	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 50% of area median income: 272
Number of Units @ or below 60% of area median income: 49

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	October 31, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Connie Harina

Unit Mix

200	2-Bedroom Units
124	3-Bedroom Units
324	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
32	2 Bedrooms	40%	40%	$878
81	2 Bedrooms	45%	45%	$987
79	2 Bedrooms	50%	50%	$1,097
6	2 Bedrooms	60%	60%	$1,317
80	3 Bedrooms	50%	50%	$1,267
43	3 Bedrooms	60%	60%	$1,521
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$37,665,000
Construction Costs	$0
Rehabilitation Costs	$9,326,250
Construction Contingency	$0
Relocation	$50,000
Architectural/Engineering	$300,000
Const. Interest, Perm. Financing	$2,869,744
Legal Fees, Appraisals	$220,000
Reserves	$959,359
Other Costs	$391,459
Developer Fee	$6,784,949
Commercial Costs	$0
Total	**$58,566,760**

Project Financing

Estimated Total Project Cost:	$58,566,760
Estimated Residential Project Cost:	$58,566,760
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$28
Per Unit Cost:	$180,762
True Cash Per Unit Cost*:	$171,206

Construction Financing

Source	Amount
CBRE Capital Markets, Inc.	$34,500,000
Cash Flow During Construction	$2,080,895
Deferred Developer Fee	$2,865,838
Tax Credit Equity	$19,120,027

Permanent Financing

Source	Amount
CBRE Capital Markets, Inc.	$34,500,000
Cash Flow During Construction	$2,080,895
Seller Credit	$230,175
Deferred Developer Fee	$2,865,838
Tax Credit Equity	$18,889,852
TOTAL	**$58,566,760**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,707,742
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$40,310,197
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$15,220,064
Qualified Basis (Acquisition):	$40,310,197
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$455,326
Maximum Annual Federal Credit, Acquisition:	$1,310,081
Total Maximum Annual Federal Credit:	$1,765,407
Approved Developer Fee in Project Cost:	$6,784,949
Approved Developer Fee in Eligible Basis:	$6,784,948
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	$1.07000

Per Regulation Section 10322(h)(9)(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:	$52,017,939
Actual Eligible Basis:	$52,017,939
Unadjusted Threshold Basis Limit:	$109,050,880
Total Adjusted Threshold Basis Limit:	$200,653,619

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 84%

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 3.25% 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

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. The initial 15 year compliance period is from 01/01/2000 through 12/31/2014. The existing regulatory agreement expires 12/31/2054. The existing regulatory agreement income targeting is 10% of the units at or below 40% AMI, 25% of the units at or below 45% AMI, and 50% of the units at or below50% AMI. The projet shall maintain the rents and income targetting levels in the existing regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $230,175. In lieu of a Short Term Work Capitalized Reserve, the seller of the project will give a credit in the amount of $230,175, allowing the applicant to use Short Term Work Reserve Amount to fund rehabilitation expenses and to receive eligible basis for that amount.

Local Reviewing Agency

The Local Reviewing Agency, the City of Richmond - Housing and Community Development, has completed a site review of this project and has taken no position in regards to this project.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
$1,765,407	**$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.

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 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 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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.