CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

Montecito at Williams Ranch, located at 1598 Mesquite Drive in Salinas, requested and is being recommended for a reservation of $616,605 in annual federal tax credits to finance the acquisition and rehabilitation of 130 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners, LLC and is located in Senate District 12 and Assembly District 30.

Montecito at Williams Ranch is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Montecito at Williams Ranch (CA-2001-918). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-763

Project Name Montecito at Williams Ranch
Site Address: 1598 Mesquite Drive
Salinas, CA 93905 County: Monterey
Census Tract: 106.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$616,605	$0
Recommended:	$616,605	$0

Applicant Information

Applicant:	Montecito Salinas AR, L.P.
Contact:	Thomas Erickson
Address:	330 W. Victoria Street Gardena, CA 90248
Phone:	424-258-2918 Fax: 424-258-2919
Email:	thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s):	CHBA Affordable VIII, LLC HCHP Affordable Multi-Family, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Community Home Builders and Associates Highridge Costa Housing Partners, LLC
Developer:	Highridge Costa Housing Partners, LLC
Investor/Consultant:	Victoria Capital, LLC
Management Agent:	WinnResidential California L.P.

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	8	
Total # of Units:	132	
No. & % of Tax Credit Units:	130	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: 33
Number of Units @ or below 60% of area median income: 97

Bond Information

Issuer:	Golden State Finance Authority
Expected Date of Issuance:	July 19, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Seniors
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Zhuo Chen

Unit Mix

106	1-Bedroom Units
26	2-Bedroom Units
132	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
30	1 Bedroom	50%	50%	$763
75	1 Bedroom	60%	60%	$916
3	2 Bedrooms	50%	50%	$916
22	2 Bedrooms	60%	56%	$1,027
1	1 Bedroom	Manager's Unit	Manager's Unit	$916
1	2 Bedrooms	Manager's Unit	Manager's Unit	$1,099

Projected Lifetime Rent Benefit: $32,593,440

Project Cost Summary at Application

Land and Acquisition	$14,600,000
Construction Costs	$0
Rehabilitation Costs	$3,009,600
Construction Contingency	$149,920
Relocation	$0
Architectural/Engineering	$56,800
Const. Interest, Perm. Financing	$866,114
Legal Fees, Appraisals	$137,500
Reserves	$275,574
Other Costs	$109,412
Developer Fee	$2,474,914
Commercial Costs	$0
Total	**$21,679,834**

Project Financing

Estimated Total Project Cost:	$21,679,834
Estimated Residential Project Cost:	$21,679,834
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$39
Per Unit Cost:	$164,241
True Cash Per Unit Cost*:	$104,951

Construction Financing

Source	Amount
T.E. Bonds[1]	$12,471,000
Seller Carryback	$5,460,553
Net Operating Income	$268,109
Deferred Cost	$335,574
GP Equity	$442,674
Deferred Developer Fee	$2,365,737
Tax Credit Equity	$336,187

Permanent Financing

Source	Amount
T.E. Bonds[1]	$7,470,000
Seller Carryback	$5,460,553
Net Operating Income	$268,109
GP Equity	$442,674
Deferred Developer Fee	$2,365,737
Tax Credit Equity	$5,672,761
TOTAL	**$21,679,834**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
[1]America First Multifamily Investors, L.P.

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,955,342
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$15,019,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$3,955,342
Qualified Basis (Acquisition):	$15,019,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$128,487
Maximum Annual Federal Credit, Acquisition:	$488,118
Total Maximum Annual Federal Credit:	$616,605
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,474,914
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	$0.92000

Per Regulation Section 10327(c)(6), 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:	$18,974,342
Actual Eligible Basis:	$18,974,342
Unadjusted Threshold Basis Limit:	$33,797,782
Total Adjusted Threshold Basis Limit:	$42,247,228

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: 25%

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-918). 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 01/01/2001 through 12/31/2015. The existing regulatory agreement expires 12/31/2030. The existing regulatory agreement income targeting is 30 units at or below 50% AMI and 100 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

This project is the resyndication of an existing tax credit project, CA-2001-918, which is under a 30-year TCAC extended use agreement. The new reservation of tax credits will result in moderately deeper rent/income targeting than the original award of tax credits by increasing the number of units restricted at 50% AMI from 30 units to 33 units. The affordable housing restrictions will extend out to approximately year 2072.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $442,674. There is a general partner equity contribution of at least $442,674, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency
The Local Reviewing Agency, the City of Salinas, has completed a site review of this project and strongly supports 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
$616,605	**$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: None.