

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

21 Soledad Street Housing Community, located at 5 - 21 Soledad Street in Salinas, requested and is being recommended for a reservation of \$2,387,210 in annual federal tax credits and \$8,037,745 in total state tax credits to finance the new construction of 88 units of housing serving tenants with rents affordable to households earning 30% - 60% of area median income (AMI). The project will be developed by Mid-Peninsula the Farm, Inc. and will be located in Senate District 12 and Assembly District 30.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-17-123

Project Name 21 Soledad Street Housing Community

Site Address: 5 - 21 Soledad Street
Salinas, CA 93902 County: Monterey

Census Tract: 18.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,387,210	\$8,037,745
Recommended:	\$2,387,210	\$8,037,745

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Mid-Peninsula The Farm, Inc.
Contact: Jan Lindenthal
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-356-2919 Fax: 650-357-9766
Email: jlindenthal@midpen-housing.org

General Partner(s) / Principal Owner(s): Mid-Peninsula The Farm, Inc.
General Partner Type: Nonprofit
Parent Company(ies): MidPen Housing Corporation
Developer: Mid-Peninsula The Farm, Inc.
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): MidPen Property Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 90
 No. & % of Tax Credit Units: 88 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: CDBG / HOME / HUD Section 8 Project-based Vouchers
 (42 units / 47%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 46 50 %
 40% AMI: 19 20 %

Information

Set-Aside: Rural
 Housing Type: Single Room Occupancy
 Geographic Area: N/A
 TCAC Project Analyst: Carmen Doonan

Unit Mix

81 SRO/Studio Units
 4 1-Bedroom Units
 5 2-Bedroom Units

 90 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
44 SRO/Studio	30%	30%	\$427
16 SRO/Studio	40%	40%	\$570
21 SRO/Studio	60%	60%	\$854
1 1 Bedroom	30%	30%	\$458
1 1 Bedroom	40%	40%	\$611
2 1 Bedroom	60%	60%	\$916
1 2 Bedrooms	30%	30%	\$549
2 2 Bedrooms	40%	40%	\$733
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$46,025,760

Project Cost Summary at Application

Land and Acquisition	\$926,749
Construction Costs	\$23,362,489
Rehabilitation Costs	\$0
Construction Contingency	\$1,184,593
Relocation	\$0
Architectural/Engineering	\$1,225,633
Const. Interest, Perm. Financing	\$2,230,541
Legal Fees, Appraisals	\$129,903
Reserves	\$1,960,782
Other Costs	\$2,778,065
Developer Fee	\$1,400,000
Commercial Costs	\$1,610,178
Total	\$36,808,932

Project Financing

Estimated Total Project Cost:	\$36,808,932
Estimated Residential Project Cost:	\$35,134,076
Estimated Commercial Project Cost	\$1,674,856

Residential

Construction Cost Per Square Foot:	\$308
Per Unit Cost:	\$390,379
True Cash Per Unit Cost*:	\$384,811

Construction Financing

Source	Amount
Wells Fargo	\$28,000,000
City of Salinas- Land Donation	\$525,000
City of Salinas - HOME	\$550,000
City of Salinas - CDBG Loan	\$1,334,000
City of Salinas - CDBG Grant	\$400,000
City of Salinas- SERAF Funds	\$201,500
Accrued Interest	\$39,133
Tax Credit Equity	\$2,827,980

Permanent Financing

Source	Amount
CCRC -Tranche B Loan	\$1,087,000
City of Salinas- Land Donation	\$525,000
City of Salinas - HOME	\$550,000
City of Salinas - CDBG Loan	\$1,334,000
City of Salinas - CDBG Grant	\$400,000
City of Salinas - SERAF Funds	\$201,500
Sponsor Loan - CCAH Grant	\$2,500,000
AHP	\$880,000
Accrued Interest	\$39,133
Tax Credit Equity	\$29,292,299
TOTAL	\$36,808,932

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$26,792,485
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (1%)	\$267,925
Qualified Basis:	\$26,524,560
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,387,210
Total State Credit:	\$8,037,745
Approved Developer Fee in Project Cost:	\$1,400,000
Approved Developer Fee in Eligible Basis:	\$1,335,322
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.95769
State Tax Credit Factor:	\$0.80000

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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$26,792,485
Actual Eligible Basis:	\$31,111,245
Unadjusted Threshold Basis Limit:	\$17,676,974
Total Adjusted Threshold Basis Limit:	\$26,792,485

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

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First: **Single Room Occupancy**
Final: **30.484%**

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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

This SRO project requested and was granted a waiver in the 15 year cash flow projection to use 5% vacancy rate for units receiving project-based voucher rental assistance (42 units) and 10% vacancy rate for all units without rental assistance (46 units), resulting in a blended vacancy rate of approximately 8.27%.

This project consists of 88 low income units, which exceeds the size limitation of 80 low income units for any Rural set-aside applications per TCAC Regulation 10325(f)(9). The applicant requested and was granted a size limitation waiver, as it was demonstrated that this rural community is unusual in size or proximity to a nearby urban center, and that exceptional demand exists within the market area.

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, 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
\$2,387,210	\$8,037,745

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: N/A.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
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 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1.5 miles of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.