

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 26, 2010

Project Number CA-2010-818

Project Name Cynara Court
Site Address: 10860, 10864 & 10868 (site 1), 10201 & 10203 (site 2) Merritt Street
Castroville (Unincorporated), CA 95012 County: Monterey
Census Tract: 104

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$760,727 | \$0 |
| Recommended: | \$760,727 | \$0 |

Applicant Information

Applicant: Mid-Peninsula Housing Coalition
Contact: Matthew O. Franklin
Address: 303 Vintage Park Drive, Suite 250
Foster City CA 94404
Phone: 650-356-2903 Fax: 650-357-9766
Email: mfranklin@midpen-housing.org

General partner(s) or principal owner(s): Mid-Peninsula The Farm, Inc.
General Partner Type: Nonprofit
Developer: Mid-Peninsula Housing Coalition
Investor/Consultant: Community Economics
Management Agent: Mid-Peninsula Housing Mgmt. Corp.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 5
Total # of Units: 58
No. & % of Tax Credit Units: 57 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 48
Number of Units @ or below 60% of area median income: 9

Information

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

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: 8/1/2010
 Credit Enhancement: N/A

Unit Mix

0 SRO/Studio Units
 4 1-Bedroom Units
 34 2-Bedroom Units
 20 3-Bedroom Units
 0 4-Bedroom Units

 58 Total Units

| <u>Unit Type & Number</u> | <u>2009 Rents Targeted % of Area Median Income</u> | <u>2009 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| 1 1 Bedroom | 50% | 35% | \$441 |
| 1 1 Bedroom | 50% | 40% | \$504 |
| 1 1 Bedroom | 50% | 50% | \$630 |
| 1 1 Bedroom | 60% | 55% | \$693 |
| 1 2 Bedrooms | 50% | 30% | \$454 |
| 4 2 Bedrooms | 50% | 35% | \$530 |
| 12 2 Bedrooms | 50% | 40% | \$606 |
| 11 2 Bedrooms | 50% | 50% | \$757 |
| 5 2 Bedrooms | 60% | 55% | \$833 |
| 1 3 Bedrooms | 50% | 30% | \$525 |
| 3 3 Bedrooms | 50% | 35% | \$612 |
| 6 3 Bedrooms | 50% | 40% | \$700 |
| 7 3 Bedrooms | 50% | 50% | \$875 |
| 3 3 Bedrooms | 60% | 55% | \$962 |
| 1 Two-Bedroom | Manager's Unit | Manager's Unit | \$0 |

Project Financing

Estimated Total Project Cost: \$19,211,768

Construction Cost Per Square Foot: \$177
Per Unit Cost: \$331,237

| Construction Financing | | Permanent Financing | |
|-------------------------------|--------------|--|---------------------|
| Source | Amount | Source | Amount |
| Citi Bank | \$11,000,000 | Citi Bank | \$627,700 |
| State HCD - HOME | \$4,000,000 | State HCD - HOME | \$4,000,000 |
| Monterey County RDA Loan | \$2,626,333 | State HCD - MHP | \$3,658,423 |
| GP Equity | \$25,000 | Monterey County RDA Loan | \$2,626,333 |
| Tax Credit Equity | \$890,000 | State HCD - Joe Serna Jr. Farmworker | \$1,500,000 |
| | | AHP - Bank of the West | \$570,000 |
| | | GP Equity | \$30,797 |
| | | Deferred Constrt. Interest on Soft Loans | \$95,345 |
| | | Deferred Developer Fee | \$250,000 |
| | | Tax Credit Equity | \$5,853,170 |
| | | TOTAL | \$19,211,768 |

Determination of Credit Amount(s)

| | |
|---|---------------------|
| Requested Eligible Basis: | \$17,211,016 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$22,374,321 |
| Applicable Rate: | 3.40% |
| Maximum Annual Federal Credit: | \$760,727 |
| Total Maximum Annual Federal Credit: | \$760,727 |
| Approved Developer Fee in Project Cost | \$1,200,000 |
| Approved Developer Fee in Eligible Basis: | \$1,186,638 |
| Investor /Consultant: | Community Economics |
| Federal Tax Credit Factor: | \$0.76942 |

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: | \$17,211,016 |
| Actual Eligible Basis: | \$17,211,016 |
| Unadjusted Threshold Basis Limit: | \$16,710,488 |
| Total Adjusted Threshold Basis Limit: | \$36,763,074 |

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: 66%

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

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 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Local Reviewing Agency:

The Local Reviewing Agency, The County of Monterey, 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 |
| \$760,727 | \$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 an 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.

Additional Conditions: The applicant/owner is required to provide the tenants with after school programs and educational classes 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

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 placed-in-service application is submitted: Use of least one recycled material, (1) Cast in place concrete, (2) carpet, or (3) road fill. Use of either flow restrictors on kitchen & bath faucets or at least one High Efficiency Toilet. Use of either formaldehyde free materials or insulation. New Construction that exceeds Title 24 energy standards by at least 10%.