

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 18, 2015**

South County RAD, located at 48 C Street in Gonzales and at 1083 Elm Avenue in Greenfield, requested and is being recommended for a reservation of \$311,587 in annual federal tax credits to finance the acquisition and rehabilitation of 68 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Monterey County Housing Authority Development Corp. and will be located in Senate District 12 and Assembly District 30.

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

**Project Number** CA-15-918

**Project Name** South County RAD

	<u>Casa de Oro</u>	<u>Los Ositos</u>
Site Address:	48 C Street	1083 Elm Avenue
	Gonzalez, CA 93926	Greenfield, CA 93927
Census Tract:	108.040	112.030
County:	Monterey	

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$311,587	\$0
Recommended:	\$311,587	\$0

**Applicant Information**

Applicant: Monterey County Housing Authority (HA) Development Corporation  
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) or Principal Owner(s):	HA RAD LLC1
General Partner Type:	Nonprofit
Parent Company(ies):	Monterey County HA Development Corporation
Developer:	Monterey County HA Development Corporation
Investor/Consultant:	CSG Advisors
Management Agent:	HA of the County of Monterey

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 26  
 Total # of Units: 70  
 No. & % of Tax Credit Units: 68 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD RAD Section 8 Project-based Vouchers (68 units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 68

**Bond Information**

Issuer: HA of the County of Monterey  
 Expected Date of Issuance: December 15, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Marlene McDonough

**Unit Mix**

67 1-Bedroom Units  
 3 2-Bedroom Units  


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 70 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<b>Los Ositos</b>			
49 1 Bedroom	50%	39%	\$534
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
<b>Casa de Oro</b>			
18 1 Bedroom	50%	39%	\$534
1 2 Bedroom	50%	42%	\$686
1 2 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,575,000
Construction Costs	\$0
Rehabilitation Costs	\$1,459,762
Construction Contingency	\$218,964
Relocation	\$200,000
Architectural/Engineering	\$58,390
Construction Interest, Perm Financing	\$380,585
Legal Fees, Appraisals	\$137,000
Reserves	\$429,651
Other Costs	\$286,767
Developer Fee	\$1,129,006
Commercial Costs	\$0
<b>Total</b>	<b>\$10,875,125</b>

**Project Financing**

Estimated Total Project Cost:	\$10,875,125
Estimated Residential Project Cost:	\$10,875,125

**Residential**

Construction Cost Per Square Foot:	\$29
Per Unit Cost:	\$155,359

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$5,273,100
HACM* Seller Financing	\$4,138,700
HACM* Subordinate Loan	\$275,217
Accrued Interest	\$65,142
CDLAC Performance Deposit	\$26,365
Tax Credit Equity	\$666,950

**Permanent Financing**

Source	Amount
HACM* Seller Financing	\$4,138,700
HACM* Subordinate Loan	\$2,242,544
HACM* Subordinate Loan	\$1,174,333
Accrued Interest	\$65,142
CDLAC Performance Deposit	\$26,365
Tax Credit Equity	\$3,228,041
<b>TOTAL</b>	<b>\$10,875,125</b>

\*Housing Authority of the County of Monterey

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$2,802,213
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,853,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,642,877
Qualified Basis (Acquisition):	\$5,853,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$118,422
Maximum Annual Federal Credit, Acquisition:	\$193,165
Total Maximum Annual Federal Credit:	\$311,587
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,129,006
Investor/Consultant:	CSG Advisors
Federal Tax Credit Factor:	\$1.03600

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:	\$8,655,713
Actual Eligible Basis:	\$8,655,713
Unadjusted Threshold Basis Limit:	\$16,813,563
Total Adjusted Threshold Basis Limit:	\$36,989,839

**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: 100%

**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 3.30% 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**

South County RAD is a scattered-site project consisting of Casa de Oro located at 48 C Street in the City of Gonzalez, CA and Los Ositos located at 1083 Elm Avenue in the City of Greenfield.

TCAC Regulation Section 10325(f)(7)(A) require that rehabilitation projects document at least a 10% post-rehabilitation improvement over existing conditions energy efficiency achieved for each building in order to meet the energy efficiency minimum construction standards. A waiver request to this requirement was submitted for the Casa de Oro site, but was not granted. The Casa de Oro site shall meet the energy efficiency requirement noted above. A waiver request to this requirement was also submitted for the Los Ositos site and was granted by the Executive Director as allowed under TCAC Regulations Section 10325(f)(7).

**Local Reviewing Agency**

The Local Reviewing Agency, City of Gonzales, has completed a site review of the Casa de Oro site and strongly supports this project.

The Local Reviewing Agency has not yet completed a site review for the Los Ositos site. 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>\$311,587</b>	<b>\$0</b>

**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