

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 16, 2015**

Salinas Family RAD, a scattered site project located in Salinas, requested and is being recommended for a reservation of \$892,940 in annual federal tax credits to finance the acquisition and rehabilitation of 155 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Monterey County Housing Authority Development Corporation and is 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-15-919

**Project Name** Salinas Family RAD

Site Address:	<u>Site 1</u> 44 Natividad Road Salinas, CA 93906	<u>Site 2</u> 350 Casentini Street Salinas, CA 93906
Census Tract:	18.020	4.000

Site 3  
1511, 1513, 1515 Wheeler Drive  
Salinas, CA 93906  
1.030

County: Monterey

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$892,940	\$0
Recommended:	\$892,940	\$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 LLC2
General Partner Type:	Nonprofit
Parent Company(ies):	Monterey County HA Development Corporation
Developer:	Monterey County HA Development Corporation
Investor/Consultant:	CSG Advisors
Management Agent:	Housing Authority of the County of Monterey

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 58  
 Total # of Units: 170  
 No. & % of Tax Credit Units: 155 92.81%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD RAD Section 8 Project-based Vouchers  
 (155 units - 91%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 155

**Bond Information**

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

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

18 1-Bedroom Units  
 79 2-Bedroom Units  
 63 3-Bedroom Units  
 10 4-Bedroom Units  


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 170 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>
8 1 Bedroom	50%	37%	\$499
10 1 Bedroom	50%	38%	\$516
18 2 Bedrooms	50%	38%	\$623
52 2 Bedrooms	50%	40%	\$650
49 3 Bedrooms	50%	41%	\$778
10 3 Bedrooms	50%	50%	\$935
8 4 Bedrooms	50%	40%	\$834
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
5 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$979
2 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$979
3 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,131
2 4 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,261

**Project Cost Summary at Application**

Land and Acquisition	\$22,490,000
Construction Costs	\$0
Rehabilitation Costs	\$4,172,550
Construction Contingency	\$625,882
Relocation	\$340,000
Architectural/Engineering	\$166,902
Construction Interest, Perm Financing	\$1,177,782
Legal Fees, Appraisals	\$164,400
Reserves	\$502,552
Other Costs	\$589,549
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$32,729,617</b>

**Project Financing**

Estimated Total Project Cost:	\$32,729,617
Estimated Residential Project Cost:	\$32,729,617

**Residential**

Construction Cost Per Square Foot:	\$43
Per Unit Cost:	\$192,527

**Construction Financing**

Source	Amount
Wells Fargo	\$16,225,500
HACM* Seller Financing	\$14,998,013
HACM* Subordinate Bridge Loan	\$417,274
Accrued Interest	\$269,159
CDLAC Performance Deposit	\$81,127
Tax Credit Equity	\$129,358

**Permanent Financing**

Source	Amount
CCRC	\$5,300,000
HACM* Seller Financing	\$14,998,013
HACM* Subordinate Loans	\$2,100,997
HACM* Subordinate Loans	\$750,000
Accrued Interest	\$269,159
CDLAC Performance Deposit	\$81,127
Tax Credit Equity	\$9,230,321
<b>TOTAL</b>	<b>\$32,729,617</b>

\*Housing Authority of the County of Monterey

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$7,144,831
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$20,158,065
Applicable Fraction:	92.81%
Qualified Basis (Rehabilitation):	\$8,620,859
Qualified Basis (Acquisition):	\$18,709,582
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$275,524
Maximum Annual Federal Credit, Acquisition:	\$617,416
Total Maximum Annual Federal Credit:	\$892,940
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	CSG Advisors
Federal Tax Credit Factor:	\$1.03370

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:	\$27,302,897
Actual Eligible Basis:	\$27,302,897
Unadjusted Threshold Basis Limit:	\$54,229,680
Total Adjusted Threshold Basis Limit:	\$104,120,986

**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: 92%

**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**

This project is a Rental Assistance Demonstration (RAD) project that is converting 3 existing scattered-site public housing sites into a rehabilitated tax credit project. The Housing Authority of the County of Monterey will manage the project.

There are currently 12 existing households in these public housing units that do not qualify as low-income housing tax credit tenants. As a result the project's applicable fraction is only 92.81%. In addition, at place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, any non-qualified units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

The applicant requested a waiver of the minimum construction standard requirement of TCAC Regulation Section 10326(g)(6) as specifically described in Section 10325(f)(7)(A) which requires rehabilitated buildings to achieve and document at least a 10% post-rehabilitation improvement over existing conditions energy efficiency achieved at each building. TCAC did not grant this waiver request for 1511, 1513, 1515 Wheeler Drive (Site 3). As a result, Site 3 shall meet this requirement. TCAC waives the 10% post-rehabilitation improvement requirement for 44 Natividad Road (Site 1) and 350 Casentini Street (Site 2), provided all hot water heaters and refrigerators older than three years at placed-in-service are replaced. Replacement refrigerators shall be Energy Star rated. At place-in-service TCAC will require a certification that the outlined improvements were completed.

The applicant requested and TCAC has approved a partial waiver of the minimum construction standard requirement for accessibility and communication requirements of TCAC Regulation Section 10326(g)(6) as specifically described in Section 10325(f)(7)(K). The project shall provide at least 5% of the units complying with the accessibility/mobility feature requirements of California Building Code Chapter 11(B) with the exception of requirements that necessitate the movement of load-bearing walls. The project shall comply with all other requirements of Chapter 11(B), including the 4% communications requirements, and any other Chapter 11(B) requirements that apply to the project outside of the units.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$892,940</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.