

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**September 26, 2007**

**Project Number** CA-2007-881

**Project Name** Benito Street Affordable Housing Community  
Address: 439 Benito Street  
Soledad, CA 93960 County: Monterey

**Applicant Information**

Applicant: Monterey County Housing Authority Development Corporation  
Contact: Starla Warren  
Address: 123 Rico Street  
Salinas, CA 93907  
Phone: (831) 775-5016 Fax: (831) 775-5013  
Sponsors Type: Nonprofit

**Bond Information**

Issuer: The Housing Authority of the County of Monterey  
Expected Date of Issuance: November 8, 2007  
Credit Enhancement: N/A

**Eligible Basis**

Actual: \$21,730,739  
Requested: \$21,730,739  
Maximum Permitted: \$31,894,482

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%  
Day Care Center is Part of Project: 2%   
55-Year Use/Rent Restriction Adjustment: 120%   
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%   
Local Development Impact Fees:

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,016,999	\$0
Recommended:	\$1,016,999	\$0

**Project Information**

Construction Type: New Construction  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: Yes  
Total # of Units: 70  
Total # Residential Buildings: 12

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
% & No. of Targeted Units: 100% - 69 units  
55-Year Use/Affordability Restriction: Yes  
Number of Units @ or below 50% of area median income: 53  
Number of Units @ or below 60% of area median income: 16

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 One-Bedroom	35%	\$423
2 One-Bedroom	50%	\$605
1 One-Bedroom	60%	\$726
6 Two-Bedroom	35%	\$508
6 Two-Bedroom	50%	\$726
3 Two-Bedroom	60%	\$871
9 Three-Bedroom	35%	\$587
15 Three-Bedroom	50%	\$838
8 Three-Bedroom	60%	\$1,006
9 Four-Bedroom	35%	\$654
4 Four-Bedroom	50%	\$935
4 Four-Bedroom	60%	\$1,122
1 Five-Bedroom	35%	\$722
1 Two-Bedroom	Manager's Unit	\$0

The general partner or principal owner is Monterey County Housing Authority Development Corporation.

The project developer is Monterey County Housing Authority Development Corporation.

The management services will be provided by Housing Authority of the County of Monterey.

The market analysis was provided by Laurin Associates.

The Local Reviewing Agency, the City of Soledad, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$24,111,801 Per Unit Cost: \$344,454 Construction Cost Per Sq. Foot: \$186

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank	\$16,838,699	Union Bank – Tranche A	\$3,305,395
HCD - Joe Serna	\$3,500,000	Union Bank – Tranche B	\$1,400,638
GP & LP Equity	\$1,152,797	HCD - MHP	\$4,166,096
		HCD - Joe Serna	\$3,500,000
		CDLAC Performance Deposit	\$84,962
		Deferred Joe Serna Interest	\$93,854
		Deferred Developer Fee	\$1,704,657
		Solar Business Federal Tax Credits	\$250,368
		Investor Equity	\$9,605,831
		<b>TOTAL</b>	<b>\$24,111,801</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,730,739
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$28,249,962
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,016,999
Approved Developer Fee:	\$2,500,000
Tax Credit Factor:	\$0.94450

Applicant requests and staff recommends annual federal credits of \$1,016,999 based on a qualified basis of \$28,249,962 and a funding shortfall of \$9,605,831.

**Cost Analysis and Line Item Review**

The requested eligible basis \$21,730,739 is below TCAC's adjusted threshold basis limit \$31,894,482. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units projects that are required to pay state or federal prevailing wages, projects where a day care center is part of the development, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% 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:** 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.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
<b>\$1,016,999</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.

TCAC makes the 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

Project Analyst: Elaine Johnson