

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2011 First Round**  
**June 22, 2011**

**Project Number** CA-2011-054

**Project Name** Minto Place Apartments  
 Site Address: North side of Minto Road at Meidl Avenue  
 Watsonville (unincorporated Santa Cruz County), CA 95076  
 County: Santa Cruz  
 Census Tract: 1225.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,561,491	\$0
Recommended:	\$1,561,491	\$0

**Applicant Information**

Applicant: MidPen Housing Corporation  
 Contact: Betsy Wilson  
 Address: 303 Vintage Park Drive, Suite 250  
 Foster City, CA 94404  
 Phone: 831-707-2134 Fax: 831-761-7218  
 Email: ewilson@midpen-housing.org

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

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 18  
 Total # of Units: 88  
 No. & % of Tax Credit Units: 87 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: CDBG / HOME  
 Affordability Breakdown by % (Lowest Income Points):  
     30% AMI: 20 %  
     35% AMI: 25 %  
     40% AMI: 20 %  
     50% AMI: 30 %

**Information**

Set-Aside: Rural  
 Housing Type: Large Family  
 Geographic Area: N/A  
 TCAC Project Analyst: Nicola Hil

**Unit Mix**

22 1-Bedroom Units  
 32 2-Bedroom Units  
 27 3-Bedroom Units  
 7 4-Bedroom Units  


---

 88 Total Units

<u>Unit Type &amp; Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	30%	\$543
5 1 Bedroom	35%	35%	\$633
6 1 Bedroom	40%	40%	\$724
6 1 Bedroom	50%	50%	\$905
7 2 Bedrooms	30%	30%	\$651
9 2 Bedrooms	35%	35%	\$760
6 2 Bedrooms	40%	40%	\$869
9 2 Bedrooms	50%	50%	\$1,086
5 3 Bedrooms	30%	30%	\$753
7 3 Bedrooms	35%	35%	\$878
6 3 Bedrooms	40%	40%	\$1,004
9 3 Bedrooms	50%	50%	\$1,255
2 4 Bedrooms	30%	30%	\$840
2 4 Bedrooms	35%	35%	\$980
3 4 Bedrooms	50%	50%	\$1,400
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$32,788,027      Construction Cost Per Square Foot: \$143  
 Per Unit Cost: \$372,591

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank Construction Loan	\$13,473,936	Union Bank Mortgage	\$2,383,000
HCD HOME	\$4,500,000	HCD HOME	\$4,500,000
Santa Cruz County RDA	\$3,100,000	Santa Cruz County RDA	\$10,191,743
Santa Cruz County RDA	\$4,648,736	Santa Cruz County CDBG	\$590,000
Santa Cruz County RDA	\$2,443,007	Deferred Developer Fee	\$535,170
Santa Cruz County CDBG	\$590,000	GP Equity	\$100
Tax Credit Equity	\$2,188,202	Tax Credit Equity	\$14,588,014
		<b>TOTAL</b>	<b>\$32,788,027</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,546,076
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,609,899
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$1,584,891
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.93424

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:	\$13,546,076
Actual Eligible Basis:	\$27,940,327
Unadjusted Threshold Basis Limit:	\$20,472,480
Total Adjusted Threshold Basis Limit:	\$24,566,976

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

**Tie-Breaker Information**

First:	<b>Large Family</b>
Second:	<b>64.902%</b>

**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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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:** Staff noted that the preliminary architectural drawings did not identify the required amount of washer/dryer required by regulation. Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 10 units upon completion of the project prior to the issuance of federal and state tax forms.

**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, Redevelopment Agency of Santa Cruz County, 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>\$1,561,491</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-Day Requirements elected, and a Final Reservation. 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 ten 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:** None

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within 3 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Large Family proj. w/i ½ mile of public school project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Multifam	5	5	5
Develop project to requirements of: GreenPoint Rated Multifamily 125	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**