CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 15, 2017
REVISED

Crossroad Gardens, located at 7322 Florin Woods Drive in Sacramento, requested and is being recommended for a reservation of $679,085 in annual federal tax credits to finance the acquisition and rehabilitation of 69 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Mercy Housing California and is located in Senate District 6 and Assembly District 9.

Crossroad Gardens is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Crossroad Gardens (CA-1993-105). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project financing includes state funding from the FHDP program of HCD.

Project Number CA-17-720

Project Name Crossroad Gardens

Site Address: 7322 Florin Woods Drive
Sacramento, CA 95823 County: Sacramento

Census Tract: 0050.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$679,085	$0
Recommended:	$679,085	$0

Applicant Information

Applicant:	Mercy Housing California 77, L.P.
Contact:	Jesse Ozanian
Address:	1360 Mission Street, Suite 300 San Francisco, CA 94103
Phone:	916.414.4425
Email:	jozanian@mercyhousing.org

General Partner(s) or Principal Owner(s):	Mercy Housing Calwest
General Partner Type:	Nonprofit
Parent Company(ies):	Mercy Housing Calwest
Developer:	Mercy Housing California
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Mercy Housing Management Group

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	70
No. & % of Tax Credit Units:	69 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / CDBG
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	14
Number of Units @ or below 60% of area median income:	55

Bond Information

Issuer:	Housing Authority of Sacramento County
Expected Date of Issuance:	June 30, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital and Northern Region
TCAC Project Analyst:	Zhuo Chen

Unit Mix

12	1-Bedroom Units
32	2-Bedroom Units
26	3-Bedroom Units
70	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	38%	$499
10	2 Bedrooms	50%	38%	$596
1	1 Bedroom	50%	53%	$685
8	1 Bedroom	60%	53%	$685
17	2 Bedrooms	60%	52%	$807
15	3 Bedrooms	60%	53%	$954
5	2 Bedrooms	60%	58%	$905
10	3 Bedrooms	60%	58%	$1,039
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $4,621,980

Project Cost Summary at Application	
Land and Acquisition	$5,777,138
Construction Costs	$0
Rehabilitation Costs	$7,128,018
Construction Contingency	$720,860
Relocation	$618,880
Architectural/Engineering	$275,000
Const. Interest, Perm. Financing	$928,405
Legal Fees, Appraisals	$82,500
Reserves	$396,381
Other Costs	$553,226
Developer Fee	$2,312,514
Commercial Costs	$80,587
Total	**$18,873,509**

Project Financing	
Estimated Total Project Cost:	$18,873,509
Estimated Residential Project Cost:	$18,792,922
Estimated Commercial Project Cost:	$80,587

Residential	
Construction Cost Per Square Foot:	$104
Per Unit Cost:	$268,470
True Cash Per Unit Cost*:	$241,014

Construction Financing

Source	Amount
Wells Fargo - T.E. Bonds	$10,543,000
SHRA - CDBG	$1,980,000
HCD - FHDP (Assumed)	$1,781,350
SHRA - HOME / HTF (Assumed)	$1,799,422
Accrued Interest	$120,832
Existing Reserves	$252,717
Deferred Costs	$948,316
Deferred Developer Fee	$866,125
Tax Credit Equity	$581,747

Permanent Financing

Source	Amount
SHRA - HOME	$2,800,000
SHRA - CDBG	$2,700,000
HCD - FHDP (Assumed)	$1,781,350
SHRA - HOME / HTF (Assumed)	$1,799,422
Accrued Interest	$120,832
Sponsor Loan (Assumed)	$234,000
Seller Carryback Loan	$1,064,072
Existing Reserves	$252,717
Deferred Developer Fee	$866,125
GP Equity	$446,389
Tax Credit Equity	$6,808,602
TOTAL	**$18,873,509**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,201,110
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,528,166
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,561,443
Qualified Basis (Acquisition):	$6,528,166
Applicable Rate:	3.22%
Maximum Annual Federal Credit, Rehabilitation:	$468,878
Maximum Annual Federal Credit, Acquisition:	$210,207
Total Maximum Annual Federal Credit:	$679,085
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,312,514
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.00261

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:	$17,729,276
Actual Eligible Basis:	$17,729,276
Unadjusted Threshold Basis Limit:	$21,244,392
Total Adjusted Threshold Basis Limit:	$29,742,148

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

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 3.22% 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
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1993-105). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/1995 through 12/31/2009. The existing regulatory agreement expires 12/31/2049. The existing regulatory agreement income targeting is 14 units at or below 50% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication subject to the hold harmless rent limits. The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on the year in which the existing TCAC projects were originally placed-in-service: year 1995. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for 15 units at or below 50% AMI, provided that such hold harmless rents do not exceed the current tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $381,500. Since there is no distribution of Net Project Equity, the project is waived from the requirements of TCAC Regulation Section 10320(b)(4)(B), and thus is allowed to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency
The Local Reviewing Agency, the Sacramento Housing and Redevelopment Agency, 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

Federal Tax Credits/Annual	State Tax Credits/Total
$679,085	**$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 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.