CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

Monterra Village, located at 860-950 Mantelli Drive in Gilroy, requested and is being recommended for a reservation of $344,628 in annual federal tax credits to finance the acquisition and rehabilitation of 33 units of housing serving tenants with rents affordable to households earning 35% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 17 and Assembly District 30.

Monterra Village is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Monterra Village CA-1996-001. See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-768

Project Name Monterra Village
Site Address: 860-950 Mantelli Drive
Gilroy, CA 95020 County: Santa Clara
Census Tract: 5125.05

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$344,628	$0
Recommended:	$344,628	$0

Applicant Information

Applicant: MRW, L.P.
Contact: Linda Mandolini
Address: 22645 Grand Street
Hayward, CA 94541
Phone: 510-582-1460 Fax: 510-582-0122
Email: lmandolini@edenhousing.org

General Partner(s) or Principal Owner(s): MRW GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing, Inc.
Developer: Eden Housing, Inc.
Investor/Consultant: Community Economics
Management Agent: Eden Housing Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	34
No. & % of Tax Credit Units:	33 100.00%
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 35% of area median income: 33

Bond Information

Issuer:	California Municipal Finance Agency
Expected Date of Issuance:	September 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Marlene McDonough

Unit Mix

14 2-Bedroom Units
16 3-Bedroom Units
4 4-Bedroom Units
34 Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14	2 Bedrooms	35%	31%	$831
16	3 Bedrooms	35%	33%	$1,014
3	4 Bedrooms	35%	33%	$1,133
1	4 Bedrooms	Manager's Unit	Manager's Unit	$0

Projected Lifetime Rent Benefit: $41,902,080

Project Cost Summary at Application

Land and Acquisition	$5,037,950
Construction Costs	$0
Rehabilitation Costs	$2,939,565
Construction Contingency	$275,939
Relocation	$0
Architectural/Engineering	$392,800
Const. Interest, Perm. Financing	$736,475
Legal Fees, Appraisals	$42,500
Reserves	$208,462
Other Costs	$483,804
Developer Fee	$1,383,122
Commercial Costs	$0
Total	**$11,500,616**

Project Financing

Estimated Total Project Cost:	$11,500,616
Estimated Residential Project Cost:	$11,500,616
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$75
Per Unit Cost:	$338,253
True Cash Per Unit Cost*:	$262,760

Construction Financing

Source	Amount
Rabobank	$7,100,000
County of Santa Clara - CDBG	$526,128
HCD - HOME Loan	$537,274
Seller Carryback Loan	$1,983,642
Accrued Interest	$41,897
Limited Partner Equity	$348,938

Permanent Financing

Source	Amount
CCRC	$1,270,000
County of Santa Clara - CDBG	$526,128
County of Santa Clara	$1,159,810
HCD - HOME Loan	$537,274
Seller Carryback Loan	$1,983,642
Accrued Interest	$41,897
Income from Operations	$62,395
Sponsor Loan	$1,992,633
General Partner Equity	$100
Deferred Developer Fee	$583,122
Tax Credit Equity	$3,343,615
TOTAL	**$11,500,616**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,984,105
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$5,619,833
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,984,105
Qualified Basis (Acquisition):	$5,619,833
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$161,983
Maximum Annual Federal Credit, Acquisition:	$182,645
Total Maximum Annual Federal Credit:	$344,628
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,383,122
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$0.97021

Per Regulation Section 10327(c)(6), 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:	$10,603,938
Actual Eligible Basis:	$10,603,938
Unadjusted Threshold Basis Limit:	$13,759,000
Total Adjusted Threshold Basis Limit:	$41,277,000

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 200%

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 3.25% 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
The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) due to significant financial cost of retrofitting the necessary units. Two of the units (5.9%) shall fully meet the mobility requirements of Chapter 11(B), including accessible paths of travel to parking, the neaby tot lot, and the community building, each of which shall also be on an accessible path of travel. The Project shall continue to provide at least 4% of units with communications features that meet the requirements of Chapter 11(B). Units that meet this requirement may be the same units that meet the mobility requirements.

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1996-001). 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 01/01/1997 through 12/31/2011. The existing regulatory agreement expires 12/31/2052. The existing regulatory agreement income targeting is 33 units at or below 35%. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement.

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements of TCAC Regulation Section 10320(b)(4)(B).

Local Reviewing Agency
The Local Reviewing Agency, The City of Gilroy, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
$344,628	**$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.