

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Mutual Housing at Spring Lake Phase II, located at 2170 Farmers Central Road in Woodland, requested and is being recommended for a reservation of \$806,990 in annual federal tax credits and \$2,689,968 in total state tax credits to finance the new construction of 39 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Mutual Housing California and will be located in Senate District 3 and Assembly District 4.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-17-089

Project Name Mutual Housing at Spring Lake Phase II
Site Address: 2170 Farmers Central Road
Woodland, CA 95776 County: Yolo
Census Tract: 112.060

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$806,990	\$2,689,968
Recommended:	\$806,990	\$2,689,968

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Mutual Housing California
Contact: Rachel Iskow
Address: 8001 Fruitridge Road, Suite A
Sacramento, CA 95820
Phone: (916) 453-8400 **Fax:** (916) 453-8401
Email: rachel@mutualhousing.com

General Partner(s) / Principal Owner(s): Phase 2 Spring Lake Mutual Housing Association LLC
General Partner Type: Nonprofit
Parent Company(ies): Mutual Housing California
Developer: Mutual Housing California
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): Hyder & Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 3
 Total # of Units: 39
 No. & % of Tax Credit Units: 39 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA-RD Section 521 Rental Assistance (38 units - 97%)
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 4 10 %
 40% AMI: 11 25 %
 50% AMI: 15 35 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Lucy Vang

Unit Mix

9 1-Bedroom Units
 20 2-Bedroom Units
 10 3-Bedroom Units

 39 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$420
2 2 Bedrooms	30%	30%	\$504
1 3 Bedrooms	30%	30%	\$582
2 1 Bedroom	40%	40%	\$560
7 2 Bedrooms	40%	40%	\$673
2 3 Bedrooms	40%	40%	\$777
3 1 Bedroom	50%	50%	\$700
8 2 Bedrooms	50%	50%	\$841
4 3 Bedrooms	50%	50%	\$971
3 1 Bedroom	60%	60%	\$840
3 2 Bedrooms	60%	60%	\$1,009
3 3 Bedrooms	60%	60%	\$1,165

Projected Lifetime Rent Benefit: \$14,559,600

Project Cost Summary at Application

Land and Acquisition	\$595,000
Construction Costs	\$8,432,000
Rehabilitation Costs	\$0
Construction Contingency	\$421,600
Relocation	\$0
Architectural/Engineering	\$472,000
Const. Interest, Perm. Financing	\$942,993
Legal Fees, Appraisals	\$89,000
Reserves	\$169,857
Other Costs	\$2,536,708
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$15,059,158

Project Financing

Estimated Total Project Cost:	\$15,059,158
Estimated Residential Project Cost:	\$15,059,158
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$228
Per Unit Cost:	\$386,132
True Cash Per Unit Cost*:	\$372,030

Construction Financing

Source	Amount
Wells Fargo	\$10,440,000
City of Woodland	\$800,000
Related Party Land Contribution	\$550,000
Deferred Cost	\$871,067
Tax Credit Equity	\$2,398,091

Permanent Financing

Source	Amount
Wells Fargo - Tranche B	\$668,000
USDA RD Loan - Section 514	\$3,000,000
City of Woodland	\$1,500,000
Related Party Land Contribution	\$550,000
Solar Tax Credit Equity	\$35,000
Tax Credit Equity	\$9,306,158
TOTAL	\$15,059,158

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,966,559
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$8,966,559
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$806,990
Total State Credit:	\$2,689,968
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.88653
State Tax Credit Factor:	\$0.80000

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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$8,966,559
Actual Eligible Basis:	\$13,775,255
Unadjusted Threshold Basis Limit:	\$10,177,979
Total Adjusted Threshold Basis Limit:	\$13,342,559

Adjustments to Basis Limit

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	45.854%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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 Phase II of a 62 unit rental housing development known as Mutual Housing at Spring Lake (CA-13-018). The phases will be located next to each other and will share community facilities, recreational areas, outdoor common areas, service amenities, and management (overseeing a total of 101 units), which are all located at Phase I. Both phases are under the same management (Hyder & Company) and General Partner (Spring Lake Mutual Housing Association, LLC). There is a Joint Use Agreement in place between Spring Lake Housing Associates, L.P. (Phase I) and Mutual Housing California (Phase II) for the shared items.

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, City of Woodland, 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
\$806,990	\$2,689,968

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 fifteen 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
INSERT APPLICABLE PUBLIC SCHOOL LANGUAGE	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of:LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.