

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 18, 2017**

Colma Veterans Village, located at 1670-1692 Mission Road in Colma, requested and is being recommended for a reservation of \$1,553,524 in annual federal tax credits to finance the new construction of 65 units of housing serving tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 11 and Assembly District 19.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD VASH Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

**Project Number** CA-17-782

**Project Name** Colma Veterans Village  
 Site Address: 1670-1692 Mission Road  
 Colma, CA 94014 County: San Mateo  
 Census Tract: 6016.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,553,524	\$0
Recommended:	\$1,553,524	\$0

**Applicant Information**

Applicant: Mercy Housing California 66, L.P., a California Limited Partnership  
 Contact: Michael Kaplan  
 Address: 1360 Mission Street #300  
 San Francisco, CA 94103  
 Phone: 415-355-7116  
 Email: mkaplan@mercyhousing.org

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

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 66  
 No. & % of Tax Credit Units: 65 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (7 Units / 10%) & HUD VASH Project-based Vouchers (58 Units / 89%) / HOME  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 31  
 Number of Units @ or below 50% of area median income: 34

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: January 1, 2018  
 Credit Enhancement: None

**Information**

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

**Unit Mix**

65 1-Bedroom Units  
 1 2-Bedroom Units  


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 66 Total Units

<b>Unit Type &amp; Number</b>	<b>2017 Rents Targeted % of Area Median Income</b>	<b>2017 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
31 1 Bedroom	30%	30%	\$735
34 1 Bedroom	50%	50%	\$1,234
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$59,871,240

**Project Cost Summary at Application**

Land and Acquisition	\$3,315,000
Construction Costs	\$28,960,102
Rehabilitation Costs	\$0
Construction Contingency	\$1,438,005
Relocation	\$200,000
Architectural/Engineering	\$1,551,705
Const. Interest, Perm. Financing	\$2,404,618
Legal Fees, Appraisals	\$170,000
Reserves	\$1,182,558
Other Costs	\$1,917,475
Developer Fee	\$2,805,356
Commercial Costs	\$0
<b>Total</b>	<b>\$43,944,819</b>

**Project Financing**

Estimated Total Project Cost:	\$43,944,819
Estimated Residential Project Cost:	\$43,944,819
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$473
Per Unit Cost:	\$665,831
True Cash Per Unit Cost*:	\$652,113

**Construction Financing**

Source	Amount
Silicon Valley Bank	\$35,754,000
County of San Mateo - HOME	\$1,196,467
County of San Mateo - AHF 2.0	\$500,000
County of San Mateo - AHF 3.0	\$1,500,000
County of San Mateo - AHF 4.0	\$1,303,533
Deferred Interest	\$160,895
AHP	\$650,000
General Partner Equity	\$500,000
Tax Credit Equity	\$1,424,595

**Permanent Financing**

Source	Amount
CCRC**	\$11,542,613
County of San Mateo - HOME	\$1,196,467
County of San Mateo - AHF 2.0	\$500,000
County of San Mateo - AHF 3.0	\$1,500,000
County of San Mateo - AHF 4.0	\$1,303,533
Deferred Interest	\$160,895
HCD VHHP Loan	\$10,000,000
AHP	\$650,000
Deferred Developer Fee	\$905,356
General Partner Equity	\$500,000
Tax Credit Equity	\$15,685,955
<b>TOTAL</b>	<b>\$43,944,819</b>

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

\*\*California Community Reinvestment Corporation

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$37,112,399
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$48,246,119
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,553,524
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,805,356
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.00970

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:	\$37,112,399
Actual Eligible Basis:	\$37,112,399
Unadjusted Threshold Basis Limit:	\$21,822,250
Total Adjusted Threshold Basis Limit:	\$53,682,735

**Adjustments to Basis Limit**

- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 52%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 94%

**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 project is located in the Bay Area, which has one of the highest development costs in the nation. Development costs of the project are approximately \$652,113 per unit. Aside from the geographic location, five main factors are also attributable to the high costs of this project: 1) entitlement process and requirements, including a full Environmental Impact Report due to the historic district location, and the requirements for parking, creation of a public plaza, and storm water treatment on-site; 2) site conditions including the large 2.25 acre lot, significant cost of streetscape and streetlights, and additional on-site amenities; 3) adaptive reuse of historic pump building as community space; 4) a high percentage of accessible units (15% - 10 units); and 5) high energy efficiency features (GreenPoint Rated 110+ points, which is the equivalent of LEED Gold).

**Local Reviewing Agency**

The Local Reviewing Agency, the Town of Colma, 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>\$1,553,524</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.

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:** N/A.