

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
2017 Waiting List Project  
October 20, 2017**

St. Francis/Village Park Apartments, located at 2525 L Street and 3651 Norwood in Sacramento, requested a reservation of \$1,384,679 in annual federal tax credits and \$1,684,198 in total state tax credits and is being recommended for a reservation of \$1,384,679 and \$0 state credits in accordance with TCAC Regulation Section 10325(h), to finance the rehabilitation of 96 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 Mercy Housing California and is located in Senate District 6 and Assembly District 7.

St. Francis/Village Park Apartments are a re-syndications of existing Low Income Housing Tax Credit (LIHTC) projects, St. Francis Terrace CA-1992-070 and Village Park CA-1991-051. See **Special Issues/Other Significant Information** below for additional resyndication information. The project financing includes state funding from the RHCP program of HCD.

**Project Number** CA-17-093

**Project Name** St. Francis/Village Park Apartments

Site Address:	<b>St. Francis Terrace</b>	<b>Village Park Apartments</b>
	2525 L Street	3651 Norwood
	Sacramento, CA 95816	Sacramento CA, 95838
Census Tract:	0014.00	0067.02
County:	Sacramento	

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,384,679	\$1,684,198
Recommended:	\$1,384,679	\$0

**Applicant Information**

Applicant: Mercy Housing California  
Contact: Jeff Riley  
Address: 2512 River Plaza Drive, Suite 200  
Sacramento, CA 95833  
Phone: 916-414-4406 Fax: 916-414-4490  
Email: jriley@mercyhousing.org

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

**Project Information**

Construction Type: Rehabilitation-Only  
Total # Residential Buildings: 15  
Total # of Units: 98  
No. & % of Tax Credit Units: 96 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HOME  
Affordability Breakdown by Units and % (Lowest Income Points):  
30% AMI: 10 10 %  
35% AMI: 41 40 %  
50% AMI: 15 15 %

**Information**

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

**Unit Mix**

20 1-Bedroom Units  
27 2-Bedroom Units  
37 3-Bedroom Units  
14 4-Bedroom Units  
98 Total Units

<u>Unit Type &amp; 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>
<u>Village Park</u>			
1 2 Bedrooms	30%	30%	\$501
11 2 Bedrooms	35%	35%	\$584
5 2 Bedrooms	60%	56%	\$937
2 3 Bedrooms	30%	30%	\$579
10 3 Bedrooms	35%	35%	\$675
6 3 Bedrooms	60%	54%	\$1,050
2 4 Bedrooms	30%	30%	\$645
8 4 Bedrooms	35%	35%	\$753
4 4 Bedrooms	60%	56%	\$1,209
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

<u>St. Francis Terrace</u>			
1 1 Bedroom	30%	30%	\$417
6 1 Bedroom	35%	35%	\$487
7 1 Bedroom	50%	46%	\$635
6 1 Bedroom	60%	57%	\$800
2 2 Bedrooms	30%	30%	\$501
1 2 Bedrooms	35%	35%	\$584
3 2 Bedrooms	50%	46%	\$776
3 2 Bedrooms	60%	57%	\$950
2 3 Bedrooms	30%	30%	\$579
5 3 Bedrooms	35%	35%	\$675
5 3 Bedrooms	50%	46%	\$895
6 3 Bedrooms	60%	56%	\$1,083
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$67,087,020

**Project Cost Summary at Application**

Land and Acquisition	\$8,559,724
Construction Costs	\$0
Rehabilitation Costs	\$9,417,642
Construction Contingency	\$1,130,117
Relocation	\$850,000
Architectural/Engineering	\$631,000
Const. Interest, Perm. Financing	\$692,822
Legal Fees, Appraisals	\$92,500
Reserves	\$1,261,482
Other Costs	\$812,247
Developer Fee	\$1,400,000
Commercial Costs	\$0
<b>Total</b>	<b>\$24,847,534</b>

**Project Financing**

Estimated Total Project Cost:	\$24,847,534
Estimated Residential Project Cost:	\$24,847,534
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$93
Per Unit Cost:	\$253,546
True Cash Per Unit Cost*:	\$253,546

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$11,455,165
HCD - RHCP Loan Assumption <sup>1</sup>	\$1,795,897
SHRA - Loan Assumption <sup>1</sup>	\$200,000
SHRA - HOME Funds <sup>1</sup>	\$919,800
HCD - RHCP Loan Assumption <sup>2</sup>	\$2,206,000
SHRA - Loan Assumption <sup>2</sup>	\$344,645
SHRA - HOME Funds <sup>2</sup>	\$1,122,300
Sacramento Catholic Diocese <sup>2</sup>	\$104,510
Deferred Costs	\$1,791,750
Accrued Interest - All Loans	\$3,406,503
General Partner Equity	\$174,296
Limited Partner Equity	\$1,326,668

**Permanent Financing**

Source	Amount
HCD - RHCP Loan Assumption <sup>1</sup>	\$1,795,897
SHRA - Loan Assumption <sup>1</sup>	\$200,000
SHRA - HOME Funds <sup>1</sup>	\$1,022,000
HCD - RHCP Loan Assumption <sup>2</sup>	\$2,206,000
SHRA - Loan Assumption <sup>2</sup>	\$344,645
SHRA - HOME Funds <sup>2</sup>	\$1,247,000
Sacramento Catholic Diocese <sup>2</sup>	\$104,510
Accrued Interest - All Loans	\$3,406,503
General Partner Equity	\$174,296
Tax Credit Equity**	\$14,346,683
<b>TOTAL</b>	<b>\$24,847,534</b>

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

\*\*Source substitution for \$1,302,648 in anticipated state tax credit equity must be provided within 10 days of the TCAC reservation letter.

<sup>1</sup> Village Park Apartments

<sup>2</sup> St. Francis Terrace

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$13,130,404
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis DDA/QCT (Rehabilitation):	\$9,771,335
Qualified Basis NON DDA/QCT (Rehabilitation):	\$5,613,993
Applicable Rate:	9.00%
Maximum Annual Federal Credit, Rehabilitation:	\$1,384,679
Total State Credit:	\$0
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	California Housing Partnership Corp
Federal Tax Credit Factor:	\$0.94203

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:	\$13,130,404
Actual Eligible Basis:	\$14,448,404
Unadjusted Threshold Basis Limit:	\$28,036,530
Total Adjusted Threshold Basis Limit:	\$28,036,530

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>41.801%</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 9.0% 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 involves the substantial rehabilitation of 2 scattered-sites originally constructed in the 1990s in the city of Sacramento.

At the Village Park site, 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) to 6% (the current accessible units). This existing 50-unit project contains three Chapter 11B accessible one-story units and 47 multi-story townhouses. Converting multi-story townhomes to accessible units is inherently impractical, given that all bedroom spaces are on the upper stories and adding bedrooms on the ground floor would make the living spaces generally unusable. Furthermore constructing two new accessible units on the property is inherently an undue financial burden. The project must continue to provide at least 4% of units with communications features that meet the requirements of Chapter 11 (B).

This project is the resyndication of two existing tax credit projects, CA-1992-070 St. Francis Terrace & CA-1991-051 Village Park, both of which are under 30-year TCAC extended use agreements. Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreements (CA-1992-070 for St. Francis Terrace and CA-1991-051 for Village Park). 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 for St. Francis Terrace is from 01/01/1994 through 12/31/2008 and the initial 15 year compliance period for Village Park is from 01/01/1992 through 12/31/2006. The new reservation of tax credits will result in substantially similar rent/income targeting to the original award of tax credits. The existing regulatory agreement for St. Francis Terrace expires 12/31/2023 and the existing regulatory agreement for Village Park expires 12/31/2021. The existing regulatory agreement income targeting for St. Francis Terrace is 17 units at or below 35% AMI (with the remaining 30 units at or below 60% AMI). The existing regulatory agreement income targeting for Village Park is 34 units at or below 35% AMI (with the remaining 15 units at or below 60% 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 affordable housing restrictions will extend out to approximately year 2072.

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity for both sites. 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 allowed to receive eligible basis for the entire Short Term Work amount.

### **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, 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 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>\$1,384,679</b>	<b>\$0</b>

### **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.

<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>
<b>St. Francis Terrace</b>			
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Middle School	3	3	3
<b>Village Park</b>			
Within ¼ mile of transit, 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 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Elementary School	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>St. Francis Terrace</b>			
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Village Park</b>			
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>St. Francis Terrace</b>			
<b>REHABILITATION</b>			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	5	5	5
<b>Village Park</b>			
<b>REHABILITATION</b>			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	5	5	5
<b>Readiness to Proceed</b>	<b>15</b>	<b>15</b>	<b>15</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>138</b>	<b>138</b>	<b>138</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.**