

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

623 Vernon Street Apartments, located at 623 Vernon Street in Roseville, requested and is being recommended for a reservation of \$1,409,575 in annual federal tax credits to finance the new construction of 55 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 will be located in Senate District 4 and Assembly District 6.

The project financing includes state funding from the IIG program of HCD.

Project Number CA-16-028

Project Name 623 Vernon Street Apartments
 Site Address: 623 Vernon Street
 Roseville, CA 95678 County: Placer
 Census Tract: 209.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,409,575	\$0
Recommended:	\$1,409,575	\$0

Applicant Information

Applicant: Mercy Housing California
 Contact: Rich Ciraulo
 Address: 2512 River Plaza Drive, Suite 200
 Sacramento, CA 95833
 Phone: (916) 414-4441 Fax: (916) 414-4490
 Email: rciraulo@mercyhousing.org

General Partner(s) / 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(s): Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 56
 No. & % of Tax Credit Units: 55 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 6 10 %
 40% AMI: 14 25 %
 50% AMI: 20 35 %

Information

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

Unit Mix

14 1-Bedroom Units
 25 2-Bedroom Units
17 3-Bedroom Units
 56 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$402
3 2 Bedrooms	30%	30%	\$483
2 3 Bedrooms	30%	30%	\$558
4 1 Bedroom	40%	40%	\$536
5 2 Bedrooms	40%	40%	\$644
5 3 Bedrooms	40%	40%	\$744
6 1 Bedroom	50%	50%	\$670
8 2 Bedrooms	50%	50%	\$805
6 3 Bedrooms	50%	50%	\$930
3 1 Bedroom	60%	60%	\$804
8 2 Bedrooms	60%	60%	\$966
4 3 Bedrooms	60%	60%	\$1,116
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,541,253
Construction Costs	\$12,308,679
Rehabilitation Costs	\$0
Construction Contingency	\$957,177
Relocation	\$86,544
Architectural/Engineering	\$1,169,687
Construction Interest, Perm Financing	\$933,271
Legal Fees, Appraisals	\$88,948
Reserves	\$648,823
Other Costs	\$2,572,828
Developer Fee	\$2,000,000
Commercial Costs	\$807,058
Total	\$24,114,268

Project Financing

Estimated Total Project Cost:	\$24,114,268
Estimated Residential Project Cost:	\$23,230,410
Estimated Commercial Project Cost	\$883,858

Residential

Construction Cost Per Square Foot:	\$173
Per Unit Cost:	\$414,829
Effective Per Unit Cost*:	\$388,471

Construction Financing

Source	Amount
Wells Fargo	\$11,674,000
City of Roseville	\$5,760,000
City of Roseville Fee Waivers	\$106,720
HCD IIG	\$2,164,800
Land Donation	\$1,425,500
Costs Deferred to Perm	\$1,696,323
Tax Credit Equity	\$1,286,925

Permanent Financing

Source	Amount
Wells Fargo	\$684,000
City of Roseville	\$5,760,000
City of Roseville Fee Waivers	\$106,720
HCD IIG	\$2,164,800
Land Donation	\$1,425,500
Tax Credit Equity	\$13,973,248
TOTAL	\$24,114,268

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,047,648
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,661,942
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,409,575
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,323,200
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99131

Per Regulation Section 10322(i)(4)(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:	\$12,047,648
Actual Eligible Basis:	\$18,726,267
Unadjusted Threshold Basis Limit:	\$12,980,604
Total Adjusted Threshold Basis Limit:	\$16,742,647

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	43.315%

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, 3.21%. 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 service coordinator will provide enriched services above the minimum of 0.20 FTE and will be regulated at 0.60 FTE hours to align with the project's operating budget.

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, Housing Division City of Roseville, 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
\$1,409,575	\$0

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 ten 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 ½ 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 public library	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of a high school	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum 0.60 FTE	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	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.