

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 19, 2016

REVISED

Owendale Mutual Housing Community, located at 3023 Albany Avenue in Davis, requested and is being recommended for a reservation of \$248,825 in annual federal tax credits to finance the acquisition and rehabilitation of 44 units of housing serving tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Mutual Housing California and is located in Senate District 3 and Assembly District 4.

The project will be receiving rental assistance in the form of HUD Section 811. The project financing includes state funding from the MHP program of HCD.

Project Number CA-16-960

Project Name Owendale Mutual Housing Community
Site Address: 3023 Albany Avenue
Davis, CA 95618 County: Yolo
Census Tract: 106.080

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$248,825	\$0
Recommended:	\$248,825	\$0

Applicant Information

Applicant: Owendale Mutual Housing Associates, LP
Contact: Keith Bloom
Address: 8001 Fruitridge Road, Suite A
Sacramento, CA 95820
Phone: 916-453-8400 **Fax:** 916-453-8401
Email: keith@mutualhousing.com

General Partner(s) or Principal Owner(s): Owendale Mutual Housing Association, LLC
General Partner Type: Nonprofit
Parent Company(ies): Mutual Housing California
Developer: Mutual Housing California
Investor/Consultant: California Housing Partnership Corp.
Management Agent: Mutual Housing Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 6
 Total # of Units: 45
 No. & % of Tax Credit Units: 44 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / CDBG / HOME / HUD Section 811 (5 units - 11%)
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 22
 Number of Units @ or below 50% of area median income: 14
 Number of Units @ or below 60% of area median income: 8

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 19, 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Connie Harina

Unit Mix

14 1-Bedroom Units
 15 2-Bedroom Units
 16 3-Bedroom Units

 45 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	35%	34%	\$474
3 1 Bedroom	35%	34%	\$474
7 2 Bedrooms	35%	34%	\$563
7 3 Bedrooms	35%	33%	\$637
3 1 Bedroom	50%	50%	\$695
5 2 Bedrooms	50%	49%	\$821
6 3 Bedrooms	50%	50%	\$963
3 1 Bedroom	60%	54%	\$757
3 2 Bedrooms	60%	60%	\$994
2 3 Bedrooms	60%	60%	\$1,156
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,984,914
Construction Costs	\$0
Rehabilitation Costs	\$2,719,904
Construction Contingency	\$277,411
Relocation	\$267,673
Architectural/Engineering	\$50,000
Const. Interest, Perm. Financing	\$298,386
Legal Fees, Appraisals	\$120,000
Reserves	\$73,493
Other Costs	\$115,361
Developer Fee	\$848,689
Commercial Costs	\$0
Total	\$9,755,831

Project Financing

Estimated Total Project Cost:	\$9,755,831
Estimated Residential Project Cost:	\$9,755,831
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$69
Per Unit Cost:	\$216,796
True Cash Per Unit Cost*:	\$216,796

Construction Financing

Source	Amount
BBVA Compass	\$3,645,000
City of Davis - RDA (Assumed)	\$1,421,017
City of Davis - CDBG (Assumed)	\$597,539
City of Davis - HTF (Assumed)	\$700,627
City of Davis - HOME (Assumed)	\$936,273
HCD - MHP (Assumed)	\$1,000,000
Accrued/Deferred Interest (Assumed)	\$326,708
Tax Credit Equity	\$271,199

Permanent Financing

Source	Amount
HCD - MHP	\$1,970,000
HCD - MHP (Assumed)	\$1,000,000
City of Davis - CDBG	\$207,673
City of Davis - RDA (Assumed)	\$1,421,017
City of Davis - CDBG (Assumed)	\$597,539
City of Davis - HTF (Assumed)	\$700,627
City of Davis - HOME (Assumed)	\$936,273
Accrued/Deferred Interest (Assumed)	\$326,708
Contributed Reserves	\$210,000
Tax Credit Equity	\$2,385,994
TOTAL	\$9,755,831

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,831,731
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,674,886
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,981,250
Qualified Basis (Acquisition):	\$2,674,886
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$161,891
Maximum Annual Federal Credit, Acquisition:	\$86,934
Total Maximum Annual Federal Credit:	\$248,825
Approved Developer Fee (in Project Cost & Eligible Basis):	\$848,689
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$0.95891

Per Regulation Section 10322(h)(9)(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:	\$6,506,617
Actual Eligible Basis:	\$6,506,617
Unadjusted Threshold Basis Limit:	\$11,828,006
Total Adjusted Threshold Basis Limit:	\$27,322,694

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: 31%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 100%

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: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of Davis, 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
\$248,825	\$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.