

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 16, 2019

Gateway Terrace II Apartments, located between W. 12th Street and W. 13th Streets, along K Street in Merced, requested and is being recommended for a reservation of \$518,125 in annual federal tax credits to finance the new construction of 49 units of housing serving large families with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Central Valley Coalition for Affordable Housing and will be located in Senate District 12 and Assembly District 17.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD Veterans Affairs Supportive Housing (VASH) Vouchers.

Project Number CA-19-416

Project Name Gateway Terrace II Apartments
Site Address: Between W. 12th Street and W. 13th Streets, along K Street
Merced, CA 95340 County: Merced
Census Tract: 16.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$518,125	\$0
Recommended:	\$518,125	\$0

Applicant Information

Applicant: Merced Gateway Investors II, LP
Contact: Christina Alley
Address: 3351 "M" Street, Ste. #100
Merced, CA 95348
Phone: (209) 388-0782
Email: chris@centralvalleycoalition.com

General Partner(s) or Principal Owner(s): Central Valley Coalition for Affordable Housing
General Partner Type: Nonprofit
Parent Company(ies): Central Valley Coalition for Affordable Housing
Developer: Central Valley Coalition for Affordable Housing
Investor/Consultant: Raymond James
Management Agent: Buckingham Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 50
 No. / % of Low Income Units: 49 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (38 units / 78%)
 HUD Project-based VASH Vouchers (11 units / 22%)

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: March 18, 2019

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Pavlos Mayakis

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 5	10%
At or Below 60% AMI: 44	90%

Unit Mix

12 1-Bedroom Units
20 2-Bedroom Units
18 3-Bedroom Units
50 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	50%	50%	\$560
11 1 Bedroom	60%	60%	\$672
2 2 Bedrooms	50%	50%	\$672
17 2 Bedrooms	60%	60%	\$807
2 3 Bedrooms	50%	50%	\$772
16 3 Bedrooms	60%	60%	\$931
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$18,127,560

Project Cost Summary at Application

Land and Acquisition	\$500,001
Construction Costs	\$7,829,500
Rehabilitation Costs	\$0
Construction Contingency	\$415,815
Relocation	\$0
Architectural/Engineering	\$195,000
Const. Interest, Perm. Financing	\$853,140
Legal Fees, Appraisals	\$165,000
Reserves	\$184,052
Other Costs	\$983,120
Developer Fee	\$1,600,736
Commercial Costs	\$0
Total	\$12,726,364

Residential

Construction Cost Per Square Foot:	\$171
Per Unit Cost:	\$254,527
True Cash Per Unit Cost*:	\$241,252

Construction Financing

Source	Amount
Citi Community Capital	\$10,000,000
City of Merced Loan	\$1,885,000
Tax Credit Equity	\$771,583

Permanent Financing

Source	Amount
Citi Community Capital	\$5,100,000
City of Merced Loan	\$1,885,000
Deferred Developer Fee	\$663,743
Tax Credit Equity	\$5,077,621
TOTAL	\$12,726,364

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

Determination of Credit Amount(s)

Requested Eligible Basis	\$12,272,307
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis	\$15,953,999
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$518,125
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,600,736
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.98000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$12,272,307
Actual Eligible Basis:	\$12,272,307
Unadjusted Threshold Basis Limit:	\$16,405,080
Total Adjusted Threshold Basis Limit:	\$18,045,588

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 meet 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 3.27% 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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Merced, has completed a site review of this project and fully supports this project.

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.

CDLAC Additional Conditions: None.