CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 15, 2019

Bennett House, located at 53 Taylor Drive in Fairfax, requested and is being recommended for a reservation of $1,376,269 in annual federal tax credits to finance the acquisition and rehabilitation of 69 units of housing serving tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Mercy Housing California and is located in Senate District 2 and Assembly District 10.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-19-468

Project Name Bennett House
Site Address: 53 Taylor Drive
Fairfax, CA 94930 County: Marin
Census Tract: 1142.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,376,269	$0
Recommended:	$1,376,269	$0

Applicant Information
Applicant: Mercy Housing California 84, L.P.
Contact: Jesse Ozanian
Address: 2512 River Plaza Drive, Suite 200
Sacramento, CA 95833
Phone: 916-414-4425
Email: jozanian@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: Community Economics
Management Agent: Mercy Housing Management Group

Project Information
Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 70
No. / % of Low Income Units: 69 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract
(69 Units / 100%)

Bond Information

Issuer:	California Municipal Financial Authority
Expected Date of Issuance:	July 1, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	Northern Region
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	50	72%
60% AMI:	19	28%

Unit Mix

18 SRO/Studio Units
52 1-Bedroom Units
70 Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
13	SRO/Studio	50%	50%	$1,283
5	SRO/Studio	60%	50%	$1,283
30	1 Bedroom	50%	50%	$1,375
7	1 Bedroom	50%	50%	$1,375
14	1 Bedroom	60%	50%	$1,375
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$25,069,400
Rehabilitation Costs	$6,726,155
Construction Hard Cost Contingency	$1,345,231
Soft Cost Contingency	$200,000
Relocation	$589,300
Architectural/Engineering	$300,000
Const. Interest, Perm. Financing	$2,018,344
Legal Fees	$40,000
Reserves	$556,696
Other Costs	$431,463
Developer Fee	$4,974,644
Commercial Costs	$0
Total	**$42,251,232**

Residential

Construction Cost Per Square Foot:	$138
Per Unit Cost:	$603,589

Construction Financing

Source	Amount
JPMorgan Chase	$25,297,840
Seller Carryback Loan	$10,777,086
General Partner Equity	$1,335
Tax Credit Equity	$1,376,132

Permanent Financing

Source	Amount
JPMorgan Chase - Tranche A	$3,479,100
JPMorgan Chase - Tranche B	$6,177,000
Seller Carryback Loan	$10,777,086
Developer Loan	$4,000,000
Income From Operations	$1,012,877
Existing Reserves	$1,128,214
Deferred Developer Fee	$2,474,644
General Partner Equity	$1,335
Tax Credit Equity	$13,200,976
TOTAL	**$42,251,232**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,887,310
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$26,251,625
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$15,453,503
Qualified Basis (Acquisition):	$26,251,625
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$509,965
Maximum Annual Federal Credit, Acquisition:	$866,304
Total Maximum Annual Federal Credit:	$1,376,269
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,974,644
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$0.95919

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:	$38,138,935
Actual Eligible Basis:	$38,138,935
Unadjusted Threshold Basis Limit:	$22,868,400
Total Adjusted Threshold Basis Limit:	$41,620,488

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 72%

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 or 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 3.30% 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

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