

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2019 Waiting List Project
October 16, 2019
REVISED**

1801 West Capitol Avenue, located at 1801 West Capitol Avenue in West Sacramento, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$1,980,000 in total state tax credits to finance the new construction of 85 units of housing serving special needs tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 6 and Assembly District 7.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-19-076

Project Name 1801 West Capitol Avenue
Site Address: 1801 West Capitol Avenue
West Sacramento, CA 95691 County: Yolo
Census Tract: 102.04

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$1,980,000
Recommended only if the Committee approves the pending appeal:	\$2,500,000	\$1,980,000

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Mercy Housing California
Contact: Stephan Daues
Address: 2512 River Plaza Drive, Ste 200
Sacramento, CA 95833
Phone: (916) 414-4440
Email: sdaues@mercyhousing.org

General Partner(s) / Principal Owner(s): 1721 West Capitol LLC
New Hope Community Development Corp.
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing Calwest
Housing Authority of Yolo County
Developer: Mercy Housing California
Investor/Consultant: Community Economics
Management Agent(s): Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 3
 Total # of Units: 85
 No. & % of Tax Credit Units: 85 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: CDBG / HUD Section 8 Project-based Vouchers (60 units - 70%)

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless/ Persons with physical, mental, developmental disabilities
 Average Targeted Affordability of Special Needs/SRO Project Units: 37.4%
 % of Special Need Units: 65 units 75%
 Geographic Area: Capital Region
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 41	45%
At or Below 50% AMI: 44	40%

Unit Mix

85 1-Bedroom Units
85 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
41 1 Bedroom	30%	30%	\$495
19 1 Bedroom	50%	40%	\$660
25 1 Bedroom	50%	40%	\$660

Project Cost Summary at Application

Land and Acquisition	\$2,426,680
Construction Costs	\$15,004,197
Rehabilitation Costs	\$0
Construction Contingency	\$1,835,200
Relocation	\$996,551
Architectural/Engineering	\$1,056,817
Const. Interest, Perm. Financing	\$1,891,947
Legal Fees	\$115,000
Reserves	\$4,800,000
Other Costs	\$3,875,047
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$34,001,439

Residential

Construction Cost Per Square Foot:	\$268
Per Unit Cost:	\$400,017
True Cash Per Unit Cost*:	\$386,122

Construction Financing

Source	Amount
Wells Fargo	\$20,625,467
City of West Sacramento	\$1,659,292
West Sacramento - CDBG	\$1,041,157
AHP	\$850,000
Impact Fee Waiver	\$951,258
Yolo County Fee Waiver	\$226,015
Deferred Costs	\$6,239,850
Tax Credit Equity	\$2,408,400

Permanent Financing

Source	Amount
City of West Sacramento	\$1,659,292
West Sacramento - CDBG	\$1,041,157
HCD - NPLH	\$5,285,843
AHP	\$850,000
Impact Fee Waiver	\$951,258
Yolo County Fee Waiver	\$226,015
Deferred Developer Fee	\$3,774
General Partner Equity	\$100
Tax Credit Equity	\$23,984,000
TOTAL	\$34,001,439

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,367,521
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,778
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$1,980,000
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.89600
State Tax Credit Factor:	\$0.80000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$21,367,521
Actual Eligible Basis:	\$22,961,929
Unadjusted Threshold Basis Limit:	\$20,350,275
Total Adjusted Threshold Basis Limit:	\$26,285,754

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
 Local Development Impact Fees

Tie-Breaker Information

First:	Special Needs
Final:	60.019%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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

Per TCAC Regulation Section 10325(f)(7)(J) the project has committed to employ an equivalent number of on-site full-time property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. TCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

TCAC staff initially reduced the Miscellaneous Federal and State Policies point category by 2 points for the Revitalization Area Project point option. At the September 25, 2019 Committee Meeting, the Committee granted the applicant's appeal of staff's point reduction. This project was ultimately funded from the waiting list approved October 16, 2019.

Resyndication and Resyndication Transfer Event: None

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, City of West Sacramento, has completed a site review of this project and strongly supports this project.

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)(5) 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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 ¼ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	0
Revitalization Area Project	2	2	2
Total Points	113	113	113

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.