

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

December 11, 2019

Mercy North Auburn at PCGC, located at 1st Avenue and B Street in Auburn, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$8,333,333 in total state tax credits to finance the new construction of 78 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 4.

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

Project Number CA-19-077

Project Name Mercy North Auburn at PCGC

Site Address: 1st Avenue and B Street
Auburn, CA 95603 County: Placer

Census Tract: 215.010

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$8,333,333
Recommended:	\$2,500,000	\$8,333,333

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

Applicant Information

Applicant: Mercy Housing California
Contact: Jeffrey Riley
Address: 2512 River Plaza Drive, Suite 200
Sacramento, CA 95833
Phone: (916) 474-4440
Email: jriley@mercyhousing.org

General Partner(s) / Principal Owner(s): Mercy Housing Calwest
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing, Inc.
Developer: Mercy Housing California
Investor/Consultant: Community Economics, Inc.
Management Agent(s): Mercy Housing Management Group, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 4
Total # of Units: 79
No. & % of Tax Credit Units: 78 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project based Vouchers (20 units, 25%)

Information

Set-Aside: Rural
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 25	30%
At or Below 40% AMI: 15	15%
At or Below 50% AMI (Rural) 16	20%

Unit Mix

21 1-Bedroom Units
33 2-Bedroom Units
25 3-Bedroom Units
<u>79 Total Units</u>

<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>
16 1 Bedroom	25%	25%	\$392
1 1 Bedroom	40%	40%	\$627
2 1 Bedroom	50%	50%	\$784
2 1 Bedroom	60%	60%	\$941
4 2 Bedrooms	30%	30%	\$564
9 2 Bedrooms	40%	40%	\$753
8 2 Bedrooms	50%	50%	\$941
11 2 Bedrooms	60%	60%	\$1,129
5 3 Bedrooms	30%	30%	\$652
5 3 Bedrooms	40%	40%	\$868
6 3 Bedrooms	50%	50%	\$1,085
9 3 Bedrooms	60%	60%	\$1,303
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,780,860
Construction Costs	\$21,569,432
Rehabilitation Costs	\$0
Construction Contingency	\$2,531,925
Relocation	\$0
Architectural/Engineering	\$1,116,563
Const. Interest, Perm. Financing	\$2,608,245
Legal Fees	\$130,000
Reserves	\$366,125
Other Costs	\$3,035,279
Developer Fee	\$1,945,293
Commercial Costs	\$0
Total	\$38,083,723

Residential

Construction Cost Per Square Foot:	\$303
Per Unit Cost:	\$482,072
True Cash Per Unit Cost*:	\$463,999.79

Construction Financing

Source	Amount
Wells Fargo Bank	\$29,757,630
Placer County Land Lease	\$1,980,000
Placer County Fee Waivers	\$1,425,507
Deferred Costs	\$1,820,486
GP Equity	\$100
Tax Credit Equity	\$3,100,000

Permanent Financing

Source	Amount
Wells Fargo Bank	\$1,497,900
Placer County Land Lease	\$1,980,000
Placer County Fee Waivers	\$1,425,507
HCD - NPLH	\$2,751,317
Deferred Developer Fee	\$2,232
GP Equity	\$100
Tax Credit Equity	\$30,426,667
TOTAL	\$38,083,723

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$27,777,777
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,777
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$8,333,333
Approved Developer Fee in Project Cost:	\$1,945,293
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.95040
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:	\$27,777,777
Actual Eligible Basis:	\$32,577,779
Unadjusted Threshold Basis Limit:	\$23,799,715
Total Adjusted Threshold Basis Limit:	\$29,215,348

Adjustments to Basis Limit

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all interior floor space other than units (where no VOC adhesives or backing is also used)

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	21.095%

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: None.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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 ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within ¾ mile of a public elementary school	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 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	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.