

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

April 14, 2020

Mutual Housing at 5th Street, located at 2050 5th Street in Davis requested and is being recommended for a reservation of \$875,877 in annual federal tax credits and \$2,401,799 in total state tax credits to finance the new construction of 37 units of housing serving large families with rents affordable to households earning 30%-40% of area median income (AMI). The project will be developed by Mutual Housing California and will be located in Senate District 3 and Assembly District 4.

The project financing includes state funding from the MHP program of HCD.

Project Number CA-20-511

Project Name Mutual Housing at 5th Street
Site Address: 2050 5th Street
Davis, CA 95618 County: Yolo
Census Tract: 106.06

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$875,877	\$2,401,799
Recommended:	\$875,877	\$2,401,799

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

Applicant Information

Applicant: Mutual Housing California
Contact: Parker Evans
Address: 3321 Power Inn Road, Suite 320
Sacramento, CA 95826
Phone: 916-453-8400
Email: parker@mutualhousing.com

General Partner(s) or Principal Owner(s): Fifth Street Mutual Housing, LLC
General Partner Type: Nonprofit
Parent Company(ies): Mutual Housing California
Developer: Mutual Housing California
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Mutual Housing Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 38
 No. / % of Low Income Units: 37 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME

Bond Information

Issuer: California Municipal Finance Agency
 Expected Date of Issuance: September 1, 2020

Information

Housing Type: Large Family
 Geographic Area: Capital Region
 TCAC Project Analyst: Prashil Keshav

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	26	70%
40% AMI:	11	30%

Unit Mix

15 1-Bedroom Units
13 2-Bedroom Units
10 3-Bedroom Units
38 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12 1 Bedroom	30%	30%	\$495
8 2 Bedrooms	30%	30%	\$594
6 3 Bedrooms	30%	30%	\$686
3 1 Bedroom	40%	40%	\$660
4 2 Bedrooms	40%	40%	\$792
4 3 Bedrooms	40%	40%	\$914
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$25,010
Construction Costs	\$14,934,072
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$746,704
Soft Cost Contingency	\$103,750
Relocation	\$0
Architectural/Engineering	\$490,000
Const. Interest, Perm. Financing	\$1,323,247
Legal Fees	\$105,000
Reserves	\$2,073,238
Other Costs	\$1,337,339
Developer Fee	\$2,473,389
Commercial Costs	\$0
Total	\$23,611,749

Residential

Construction Cost Per Square Foot:	\$361
Per Unit Cost:	\$621,362
True Cash Per Unit Cost*:	\$600,720

Construction Financing

Source	Amount
BBVA - Tax Exempt	\$12,476,881
BBVA	\$5,764,865
AHP	\$370,000
Deferred Costs	\$3,283,674
Deferred Developer Fee	\$784,407
Tax Credit Equity	\$931,922

Permanent Financing

Source	Amount
HCD - MHP	\$9,392,144
City of Davis	\$2,000,000
City of Davis - HOME	\$413,983
AHP	\$370,000
Deferred Developer Fee	\$784,407
Tax Credit Equity	\$10,651,215
TOTAL	\$23,611,749

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,794,792
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,033,230
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$875,877
Total State Credit:	\$2,401,799
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,473,389
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.98298
State Tax Credit Factor:	\$0.85000

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:	\$20,794,792
Actual Eligible Basis:	\$20,794,792
Unadjusted Threshold Basis Limit:	\$14,009,310
Total Adjusted Threshold Basis Limit:	\$42,865,398

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

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: 32%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 155%

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 3.24% 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

The estimated cost of the project is \$600,720 per unit. This high cost is due to several factors, including the project location on an infill site, prevailing wage, and high labor and materials costs.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.