

# **CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

## **Project Staff Report**

### **Tax-Exempt Bond Project**

**April 14, 2020**

Mutual Housing on the Boulevard, located at 7351 Stockton Boulevard in Sacramento, requested and is being recommended for a reservation of \$2,063,952 in annual federal tax credits and \$8,839,908 in total state tax credits to finance the new construction of 126 units of housing with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Mutual Housing of California and will be located in Senate District 6 and Assembly District 9.

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.

<b>Project Number</b>	CA-20-531
<b>Project Name</b>	Mutual Housing on the Boulevard
Site Address:	7351 Stockton Blvd
	Sacramento, CA 95823
	County: Sacramento
Census Tract:	50.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,063,952	\$8,839,908
Recommended:	\$2,063,952	\$8,839,908

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

#### **Applicant Information**

Applicant:	Mutual Housing California
Contact:	Roberto Jimenez
Address:	3321 Power Inn Rd Suite 320
	Sacramento, CA 95826
Phone:	(916) 453-8400
Email:	roberto@mutualhousing.com

General Partner(s) or Principal Owner(s):	Stockton Boulevard 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: 7  
 Total # of Units: 127  
 No. / % of Low Income Units: 126 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (67 Units - 53%)

**Bond Information**

Issuer: Sacramento Housing and Redevelopment Authority  
 Expected Date of Issuance: September 1, 2020

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Jonghyun Shim

**55-Year Use / Affordability**

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	67	53%
40% AMI:	18	14%
50% AMI:	18	14%
60% AMI:	23	18%

**Unit Mix**

65 1-Bedroom Units
44 2-Bedroom Units
18 3-Bedroom Units
<hr/> 127 Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
32	1 Bedroom	30%	30%	\$470
7	2 Bedrooms	30%	30%	\$564
1	3 Bedrooms	30%	30%	\$652
14	1 Bedroom	30%	30%	\$470
8	2 Bedrooms	30%	30%	\$564
5	3 Bedrooms	30%	30%	\$652
3	1 Bedroom	40%	40%	\$627
5	2 Bedrooms	40%	40%	\$753
1	3 Bedrooms	40%	40%	\$869
3	1 Bedroom	40%	40%	\$627
4	2 Bedrooms	40%	40%	\$753
2	3 Bedrooms	40%	40%	\$869
3	1 Bedroom	50%	48%	\$749
4	2 Bedrooms	50%	50%	\$941
1	3 Bedrooms	50%	50%	\$1,086
3	1 Bedroom	50%	50%	\$778
5	2 Bedrooms	50%	50%	\$941
2	3 Bedrooms	50%	50%	\$1,086
4	1 Bedroom	60%	48%	\$749
5	2 Bedrooms	60%	55%	\$1,038
2	3 Bedrooms	60%	54%	\$1,171
3	1 Bedroom	60%	50%	\$778
5	2 Bedrooms	60%	57%	\$1,077
4	3 Bedrooms	60%	56%	\$1,222
1	2 Bedrooms	Manager's Unit	Manager's Unit	\$0

#### **Project Cost Summary at Application**

Land and Acquisition	\$669,410
Construction Costs	\$35,305,591
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,765,280
Soft Cost Contingency	\$160,000
Relocation	\$0
Architectural/Engineering	\$1,695,000
Const. Interest, Perm. Financing	\$3,319,064
Legal Fees	\$145,000
Reserves	\$1,205,697
Other Costs	\$2,839,356
Developer Fee	\$5,828,396
Commercial Costs	\$0
<b>Total</b>	<b>\$52,932,794</b>

**Residential**

Construction Cost Per Square Foot:	\$292
Per Unit Cost:	\$416,794
True Cash Per Unit Cost*:	\$407,982

**Construction Financing**

Source	Amount
US Bank - Tax Exempt	\$29,802,668
US Bank	\$8,549,324
SHRA	\$6,210,000
Deferred Costs	\$2,995,674
General Partner Contribution	\$2,328,396
Deferred Developer Fee	\$1,119,124
Tax Credit Equity	\$1,927,608

**Permanent Financing**

Source	Amount
US Bank - Tax Exempt	\$2,453,000
SHRA	\$6,900,000
HCD - NPLH	\$12,302,774
Deferred Developer Fee	\$1,119,124
General Partner Contribution	\$2,328,396
Tax Credit Equity	\$27,829,500
<b>TOTAL</b>	<b>\$52,932,794</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$49,001,703
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$63,702,214
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$2,063,952
Total State Credit:	\$8,839,908
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,828,396
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.98430
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:	\$49,001,703
Actual Eligible Basis:	\$49,001,703
Unadjusted Threshold Basis Limit:	\$43,919,973
Total Adjusted Threshold Basis Limit:	\$113,825,378

**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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 28%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 117%

**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:** 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.

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.