

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report Tax-Exempt Bond Project April 14, 2020

Lavender Courtyard by Mutual Housing, located at 605 16th St, 1612 & 1616 F St in Sacramento, requested and is being recommended for a reservation of \$776,622 in annual federal tax credits and \$3,367,759 in total state tax credits to finance the new construction of 52 units of housing serving special needs tenants with rents affordable to households earning 20-40% AMI of area median income (AMI). The project will be developed by Mutual 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 MHP program of HCD.

Project Number	CA-20-533
Project Name	Lavender Courtyard by Mutual Housing
Site Address:	605 16th St, 1612 & 1616 F St Sacramento, CA 95814
Census Tract:	5.00
	County: Sacramento

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$776,622	\$3,367,759
Recommended:	\$776,622	\$3,367,759

* 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):	Lavender 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: 53
 No. / % of Low Income Units: 52 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (20 units - 38%)

Bond Information

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

Information

Housing Type: Special Needs
 Geographic Area: Capital Region
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

Aggregate Targeting		Percentage of
Number of Units		Affordable Units
30% AMI:	22	42%
35% AMI:	21	40%
40% AMI:	9	17%

Unit Mix

49 1-Bedroom Units
4 2-Bedroom Units
53 Total Units

Unit Type & Number	2019 Rents	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
	Targeted % of Area Median Income		
8 1 Bedroom	20%	20%	\$313
10 1 Bedroom	30%	30%	\$470
2 2 Bedrooms	30%	30%	\$564
2 1 Bedroom	30%	30%	\$470
20 1 Bedroom	35%	35%	\$549
1 2 Bedrooms	35%	35%	\$658
8 1 Bedroom	40%	40%	\$627
1 2 Bedrooms	40%	40%	\$753
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,038,597
Construction Costs	\$17,679,300
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$883,950
Soft Cost Contingency	\$150,000
Relocation	\$0
Architectural/Engineering	\$885,000
Const. Interest, Perm. Financing	\$1,250,195
Legal Fees	\$105,000
Reserves	\$909,117
Other Costs	\$947,603
Developer Fee	\$2,851,034
Commercial Costs	\$0
Total	\$26,699,796

Residential

Construction Cost Per Square Foot:	\$475
Per Unit Cost:	\$503,770
True Cash Per Unit Cost*:	\$489,317

Construction Financing

Source	Amount
US Bank - TE	\$15,005,042
US Bank	\$3,652,344
SHRA - HOME Loan	\$1,905,525
GP Loan - Weinberg Foundation	\$2,500,000
Deferred Costs	\$1,941,642
Deferred Developer Fee	\$765,998
Tax Credit Equity	\$929,245

Permanent Financing

Source	Amount
HCD MHP Loan	\$11,263,818
SHRA - HOME Loan	\$1,905,525
GP Loan - Weinberg Foundation	\$2,500,000
Deferred Developer Fee	\$765,998
Tax Credit Equity	\$10,264,455
TOTAL	\$26,699,796

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$23,969,807
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$23,969,807
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$776,622
Total State Credit:	\$3,367,759
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,851,034
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.96609
State Tax Credit Factor:	\$0.82000

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:	\$23,969,807
Actual Eligible Basis:	\$23,969,807
Unadjusted Threshold Basis Limit:	\$16,206,357
Total Adjusted Threshold Basis Limit:	\$50,717,391

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

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: 17%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 164%

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.