

# **CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

## **Project Staff Report Tax-Exempt Bond Project August 11, 2021**

Cornerstone South, located at 46th and Lang Avenue in Sacramento, requested and is being recommended for a reservation of \$1,176,760 in annual federal tax credits to finance the new construction of 60 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 Mutual Housing 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.

**Project Number** CA-21-663

**Project Name** Cornerstone South  
**Site Address:** 46th and Lang Avenue  
Sacramento CA 95823 County: Sacramento  
**Census Tract:** 47.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,176,760	\$0
Recommended:	\$1,176,760	\$0

### **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

<b>General Partner(s) or Principal Owner(s):</b>	Cornerstone Mutual Housing Association, LLC
<b>General Partner Type:</b>	Nonprofit
<b>Parent Company(ies):</b>	Mutual Housing California
<b>Developer:</b>	Mutual Housing California
<b>Bond Issuer:</b>	Housing Authority of the County of Sacramento
<b>Investor/Consultant:</b>	California Housing Partnership
<b>Management Agent:</b>	Mutual Housing Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 8  
 Total # of Units: 60  
 No. / % of Low Income Units: 60 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Project-based Vouchers (8 Units - 13%)

**Information**

Housing Type: Large Family  
 Geographic Area: Capital Region  
 TCAC Project Analyst: Nick White

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>		<b>Percentage of Affordable Units</b>
30% AMI:	8	13%
40% AMI:	6	10%
50% AMI:	25	42%
60% AMI:	21	35%

**Unit Mix**

9 1-Bedroom Units
30 2-Bedroom Units
21 3-Bedroom Units
60 Total Units

<b>Unit Type &amp; Number</b>	<b>2021 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
6 1 Bedroom	30%	\$510
2 2 Bedrooms	30%	\$612
2 2 Bedrooms	40%	\$816
4 3 Bedrooms	40%	\$942
14 2 Bedrooms	50%	\$1,020
11 3 Bedrooms	50%	\$1,178
3 1 Bedroom	60%	\$1,020
12 2 Bedrooms	60%	\$1,224
6 3 Bedrooms	60%	\$1,413

**Project Cost Summary at Application**

Land and Acquisition	\$1,319,500
Construction Costs	\$14,984,886
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$815,330
Soft Cost Contingency	\$150,000
Relocation	\$0
Architectural/Engineering	\$806,667
Const. Interest, Perm. Financing	\$1,415,253
Legal Fees	\$140,000
Reserves	\$351,040
Other Costs	\$1,842,947
Developer Fee	\$2,281,150
Commercial Costs	\$0
<b>Total</b>	<b>\$24,106,773</b>

**Residential**

Construction Cost Per Square Foot:	\$274
Per Unit Cost:	\$401,780
True Cash Per Unit Cost*:	\$379,912

**Construction Financing**

Source	Amount
US Bank - Tax Exempt	\$12,020,000
US Bank - Taxable	\$346,548
SHRA Land Loan	\$92,000
SHRA Loan	\$8,000,000
Water District Fee Credits	\$200,000
Accrued/Deferred Interest	\$214,720
Costs Deferred Until Conversion	\$1,201,554
Deferred Developer Fee	\$1,020,039
Tax Credit Equity	\$1,011,912

**Permanent Financing**

Source	Amount
US Bank - Tranche A	\$3,395,000
US Bank - Tranche B	\$1,186,000
SHRA Land Loan	\$92,000
SHRA Loan	\$8,000,000
Water District Fee Credits	\$200,000
Accrued/Deferred Interest	\$214,720
Deferred Developer Fee	\$1,020,039
Tax Credit Equity	\$9,999,014
<b>TOTAL</b>	<b>\$24,106,773</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$22,630,002
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$29,419,003
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,176,760
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,281,150
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.84971

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.

#### **Significant Information / Additional Conditions**

This 60 unit application was submitted as a hybrid application serving large families. The project is comprised of a 9% component (CA-21-086) consisting of 48 units and a 4% component (CA-21-663) consisting of 60 units.

Both projects will be managed by an onsite property manager located in 9% component and share parking, a laundry room, the community building, and all other site amenities and common facilities. Prior to the start of construction, all necessary agreements shall be in place to ensure that the 4% component has sufficient property management and access to the required community spaces. The Joint Use Agreement shall be provided in the placed in service submission.

**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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.