CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 22, 2021

Villa St. Joseph, located at 480 South Batavia Street in Orange, requested and is being recommended for a reservation of $1,383,528 in annual federal tax credits to finance the new construction of 49 units of housing serving seniors with rents affordable to households earning 20-50% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 37 and Assembly District 68.

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 and SNHP through CalHFA.

Project Number	CA-21-767	
Project Name	Villa St. Joseph	
Site Address:	480 South Batavia Street	
	Orange, CA 92868	County: Orange
Census Tract:	76001.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,383,528	$0
Recommended:	$1,383,528	$0

Applicant Information

Applicant:	Mercy Housing California
Contact:	Maury Ruano
Address:	1500 S. Grand Avenue, Suite 100 Los Angeles, CA 90015
Phone:	(310)722-6580
Email:	maury.ruano@mercyhousing.org

General Partner(s) or Principal Owner(s):	Mercy Housing California 107, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Mercy Housing Calwest
Developer:	Mercy Housing California
Bond Issuer:	California Municipal Finance Authority
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Mercy Housing Management Group, Inc.

Project Information

Construction Type:	Adaptive Reuse	
Total # Residential Buildings:	1	
Total # of Units:	50	
No. / % of Low Income Units:	49	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt /HUD Section 8 Project-based Vouchers (18 units 36%)	

Information

Housing Type:	Seniors
Geographic Area:	Orange County
TCAC Project Analyst:	Sopida Steinwert

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	24	49%
40% AMI:	13	27%
50% AMI:	12	24%

Unit Mix

6	SRO/Studio Units
43	1-Bedroom Units
1	2-Bedroom Units
50	Total Units

Unit Type & Number		2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
18	1 Bedroom	20%	$504
2	SRO/Studio	30%	$706
4	1 Bedroom	30%	$757
2	SRO/Studio	40%	$942
11	1 Bedroom	40%	$1,009
2	SRO/Studio	50%	$1,177
10	1 Bedroom	50%	$1,261
1	2 Bedrooms	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$5,920,000
Construction Costs	$15,120,943
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$758,547
Soft Cost Contingency	$100,000
Relocation	$0
Architectural/Engineering	$643,422
Const. Interest, Perm. Financing	$1,816,357
Legal Fees	$155,000
Reserves	$517,842
Other Costs	$2,131,962
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$29,664,073**

Residential

Construction Cost Per Square Foot:	$375
Per Unit Cost:	$593,281
True Cash Per Unit Cost*:	$464,883

Construction Financing

Source	Amount
Wells Fargo Bank	$15,525,000
St. Joseph College of Orange SC**	$5,705,000
CalHFA SNHP	$3,696,893
Accrued/Deferred Interest	$335,170
Cost Deferred Until Conversion	$1,651,899
Deferred Developer Fee	$714,905
General Partner Capital	$100
Tax Credit Equity	$2,035,106

Permanent Financing

Source	Amount
HCD-NPLH Competitive	$3,641,722
HCD-NPLH Non-Competitive	$2,000,000
OCHCD	$1,020,600
St. Joseph College of Orange SC**	$5,705,000
CalHFA SNHP	$3,696,893
Accrued/Deferred Interest	$335,170
Deferred Developer Fee	$714,905
General Partner Capital	$100
Tax Credit Equity	$12,549,683
TOTAL	**$29,664,073**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$21,571,707
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,544,976
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$28,043,219
Qualified Basis (Acquisition):	$6,544,976
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	$1,121,729
Maximum Annual Federal Credit, Acquisition:	$261,799
Total Maximum Annual Federal Credit:	$1,383,528
Approved Developer Fee in Eligible Basis:	$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.90708

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

The site is presently part of the Sisters of St. Joseph campus. The proposed development will be improved within the "Motherhouse" that will undergo an adaptive reuse and conversion from a vacant convent to an apartment building. The single 3-story building will contain 49 affordable units, one manager's unit and related common areas. The subject development will total approximately 40,372 square feet of living and community space within the Motherhouse. The applicant states the project will be subdivided into air rights to allow for separate ownership of the affordable units and school, chapel, and office buildings. A legal opinion of how the legal separation meets the IRS definition of a building will be required at Placed in Service.

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.