

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
June 15, 2022**

Morgan Hill Senior Housing, located at the SE corner of San Pedro Avenue and Monterey Road in Morgan Hill, requested and is being recommended for a reservation of \$2,518,030 in annual federal tax credits to finance the new construction of 81 units of housing serving seniors with rents affordable to households earning 25%-70% of area median income (AMI). The project will be developed by Human Good Affordable Housing and will be located in Senate District 17 and Assembly District 30.

The project financing includes state funding from The Multifamily Housing Program (MHP) of The California Department of Housing and Community Development (HCD).

Project Number CA-22-453

Project Name Morgan Hill Senior Housing
Site Address: SE corner of San Pedro Avenue and Monterey Road
Morgan Hill CA, 95037 County: Santa Clara
Census Tract: 60855123.13

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,518,030	\$0
Recommended:	\$2,518,030	\$0

Applicant Information

Applicant: Morgan Hill Senior Housing, L.P.
Contact: Sarah Nichols
Address: 1900 Huntington Drive
Duarte CA, 91010
Phone: (206) 914-3023
Email: sarahn@beacondevgroup.com

General Partner(s) or Principal Owner(s): Morgan Hill Senior Housing GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Human Good Affordable Housing
Developer: Human Good Affordable Housing
Bond Issuer: CMFA
Investor/Consultant: Community Economics
Management Agent: HumanGood Affordable Housing

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 82
No. / % of Low Income Units: 81 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt

Information

Housing Type: Seniors
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Dylan Hervey

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 43	53%
40% AMI: 13	16%
70% AMI: 25	31%

Unit Mix

81 1-Bedroom Units
<u>1 2-Bedroom Units</u>
82 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
32 1 Bedroom	30%	\$776
11 1 Bedroom	30%	\$932
13 1 Bedroom	40%	\$1,243
25 1 Bedroom	70%	\$2,175
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$50,000
Construction Costs	\$35,542,836
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,554,284
Soft Cost Contingency	\$200,000
Relocation	\$0
Architectural/Engineering	\$2,040,422
Const. Interest, Perm. Financing	\$2,361,222
Legal Fees	\$40,000
Reserves	\$598,524
Other Costs	\$3,419,457
Developer Fee	\$2,200,000
Commercial Costs	<u>\$0</u>
Total	\$50,006,745

Residential

Construction Cost Per Square Foot:	\$510
Per Unit Cost:	\$609,838
True Cash Per Unit Cost*:	\$609,838

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt	\$26,418,139	Citibank - Tax Exempt	\$4,582,200
Sunnyvale Life, Inc.	\$18,125,720	HCD-MHP	\$14,300,000
Capital Magnet Funds	\$1,000,000	Sunnyvale Life, Inc.	\$7,049,825
General Partner Equity	\$1,000	Capital Magnet Funds	\$1,000,000
Accrued Soft Interest	\$389,051	Accrued Soft Interest	\$166,341
Tax Credit Equity	\$2,309,238	General Partner Equity	\$1,000
		Tax Credit Equity	\$22,907,379
		TOTAL	\$50,006,745

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$48,423,650
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$62,950,745
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,518,030
Total State Credit:	\$0
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.90973

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

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.

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.