

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

180 W. Beamer Street Apartments, located at 180 Beamer Street in Woodland, requested and is being recommended for a reservation of \$1,551,104 in annual federal tax credits and \$5,170,348 in total state tax credits to finance the new construction of 79 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 Mercy Housing California and will be located in Senate District 3 and Assembly District 4.

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 and MHSA through CalHFA.

Project Number CA-16-078

Project Name 180 W. Beamer Street Apartments
Site Address: 180 W. Beamer Street
Woodland, CA 95695 County: Yolo
Census Tract: 109.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,551,104	\$5,170,348
Recommended:	\$1,551,104	\$5,170,348

Applicant Information

Applicant: Mercy Housing California
Contact: Stephan Daues
Address: 2512 River Plaza Dr, Suite 200
Sacramento, CA 95833
Phone: (916) 414-4440 Fax: (916) 414-4490
Email: sdaues@mercyhousing.org

General Partner(s) / Principal Owner(s): Mercy Housing Calwest
New Hope Community Development Corporation
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing Inc.
New Hope Community Development Corporation
Developer: Mercy Housing California
Investor/Consultant: Community Economics
Management Agent(s): Mercy Housing Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 15
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-Based Vouchers (20 units - 25%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 26 30 %
 40% AMI: 9 10 %
 50% AMI: 44 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Lucy Vang

Unit Mix

26 1-Bedroom Units
 30 2-Bedroom Units
 24 3-Bedroom Units

 80 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 1 Bedroom	30%	20%	\$278
2 1 Bedroom	40%	20%	\$278
4 1 Bedroom	50%	50%	\$695
3 2 Bedrooms	30%	20%	\$333
7 2 Bedrooms	40%	20%	\$333
19 2 Bedrooms	50%	50%	\$833
3 3 Bedrooms	30%	30%	\$578
21 3 Bedrooms	50%	50%	\$963
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,461,300
Construction Costs	\$16,021,269
Rehabilitation Costs	\$0
Construction Contingency	\$1,619,757
Relocation	\$0
Architectural/Engineering	\$867,639
Const. Interest, Perm. Financing	\$1,099,253
Legal Fees, Appraisals	\$87,500
Reserves	\$3,137,681
Other Costs	\$2,962,374
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$30,656,774

Project Financing

Estimated Total Project Cost:	\$30,656,774
Estimated Residential Project Cost:	\$30,656,774
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$193
Per Unit Cost:	\$383,210
True Cash Per Unit Cost*:	\$325,631

Construction Financing

Source	Amount
Wells Fargo	\$17,112,107
MHSA - CalHFA	\$3,100,000
Land Lease Donation	\$3,250,000
City Fee Waivers	\$974,006
County Fee Waivers	\$182,316
Tax Credit Equity	\$2,000,000

Permanent Financing

Source	Amount
Wells Fargo - Tranche B	\$400,000
MHSA - CalHFA	\$3,100,000
HCD - MHP-SH	\$2,598,920
Land Lease Donation	\$3,250,000
City Fee Waivers	\$974,006
County Fee Waivers	\$182,316
General Partner Equity	\$47,955
Deferred Developer Fee	\$200,000
Tax Credit Equity	\$19,903,577
TOTAL	\$30,656,774

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,234,494
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$17,234,494
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,551,104
Total State Credit:	\$5,170,348
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.05352
State Tax Credit Factor:	\$0.68900

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$17,234,494
Actual Eligible Basis:	\$22,364,494
Unadjusted Threshold Basis Limit:	\$18,297,748
Total Adjusted Threshold Basis Limit:	\$22,834,150

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

Tie-Breaker Information

First:	Large Family
Final:	45.043%

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 meet 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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.

Special Issues/Other Significant Information

The project will serve 25% special needs tenants consisting of MHSA/MHP Supportive Housing qualified residents who are homeless, formally homeless, or with physical, mental, & development disabilities. The balance of the units will be targeted toward low-income large families.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, the City of Woodland, has completed a site review of this project and strongly supports this project.

Recommendation

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,551,104	\$5,170,348

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/4 mile of a public high school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.