

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 17, 2017**

The Cannery, located at 111 Lewis Street in Gilroy, requested and is being recommended for a reservation of \$1,651,246 in annual federal tax credits to finance the new construction of 103 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 17 and Assembly District 30.

**Project Number** CA-17-744

**Project Name** The Cannery  
**Site Address:** 111 Lewis Street  
 Gilroy, CA 95020 County: Santa Clara  
**Census Tract:** 5126.04

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,651,246	\$0
Recommended:	\$1,651,246	\$0

**Applicant Information**

**Applicant:** Gilroy Lewis Street, L.P.  
**Contact:** Chris Maffris  
**Address:** 1640 S. Sepulveda Blvd., Suite 425  
 Los Angeles, CA 90025  
**Phone:** (310) 5755-3543 **Fax:** (310) 575-3563  
**Email:** cmaffris@metahousing.com

**General Partner(s) or Principal Owner(s):** Gilroy Lewis Street, LLC  
 WCH Affordable XXXI, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Meta Housing Corporation  
 Western Community Housing

**Developer:** Meta Housing Corporation

**Investor/Consultant:** Boston Financial

**Management Agent:** Cambridge Real Estate Services

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 104  
 No. & % of Tax Credit Units: 103 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 11  
 Number of Units @ or below 60% of area median income: 92

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: June 17, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: South & West Bay Region  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

5 1-Bedroom Units  
 71 2-Bedroom Units  
 28 3-Bedroom Units  


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 104 Total Units

<b>Unit Type &amp; Number</b>	<b>2016 Rents Targeted % of Area Median Income</b>	<b>2016 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 1 Bedroom	50%	50%	\$1,046
4 1 Bedroom	60%	60%	\$1,256
7 2 Bedrooms	50%	50%	\$1,256
63 2 Bedrooms	60%	60%	\$1,507
3 3 Bedrooms	50%	50%	\$1,451
25 3 Bedrooms	60%	60%	\$1,741
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,010

Projected Lifetime Rent Benefit: \$55,277,640

**Project Cost Summary at Application**

Land and Acquisition	\$3,147,800
Construction Costs	\$23,866,955
Rehabilitation Costs	\$0
Construction Contingency	\$1,454,565
Relocation	\$0
Architectural/Engineering	\$1,958,020
Const. Interest, Perm. Financing	\$1,728,645
Legal Fees, Appraisals	\$222,500
Reserves	\$402,488
Other Costs	\$5,497,431
Developer Fee	\$5,090,000
Commercial Costs	\$0
<b>Total</b>	<b>\$43,368,404</b>

**Project Financing**

Estimated Total Project Cost:	\$43,368,404
Estimated Residential Project Cost:	\$43,368,404
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$200
Per Unit Cost:	\$417,004
True Cash Per Unit Cost*:	\$376,813

**Construction Financing**

Source	Amount
JP Morgan Chase	\$34,300,000
Tax Credit Equity	\$3,863,915
Deferred Developer Fee	\$5,204,489

**Permanent Financing**

Source	Amount
Barings, LLC	\$17,869,000
General Partner Loan	\$2,000,000
Deferred Developer Fee	\$4,179,827
Tax Credit Equity	\$19,319,577
<b>TOTAL</b>	<b>\$43,368,404</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$39,082,744
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$50,807,567
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,651,246
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,090,000
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$1.17000

Per Regulation Section 10322(h)(9)(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:	\$39,082,744
Actual Eligible Basis:	\$39,082,744
Unadjusted Threshold Basis Limit:	\$38,001,266
Total Adjusted Threshold Basis Limit:	\$45,732,455

**Adjustments to Basis Limit**

Local Development Impact Fees  
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

**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 are below the minimum operating expenses established in the Regulations (see Special Issues/Other Significant Information), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% 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.

**Special Issues/Other Significant Information**

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$5,600. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$5,276 in agreement with the permanent lender and equity

**Local Reviewing Agency**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,651,246</b>	<b>\$0</b>

**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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

**Additional Conditions:** None.