

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 First Round
July 11, 2012

Project Number CA-12-028

Project Name Quinn Cottages
 Site Address: 1500 North A Street
 Sacramento, CA 95814 County: Sacramento
 Census Tract: 53.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$508,068	\$0
Recommended:	\$508,068	\$0

Applicant Information

Applicant: Mercy Housing California
 Contact: Stephan Daues
 Address: 3120 Freeboard Drive, Suite 202
 West Sacramento, CA 95691
 Phone: (916) 414-4440 Fax: (916) 414-4490
 Email: sdaues@mercyhousing.org

General partner(s) or principal owner(s): Mercy Housing Calwest
 General Partner Type: Nonprofit
 Developer: Mercy Housing California
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: Mercy Housing Management Group

Project Information

Construction Type: Rehabilitation
 Total # Residential Buildings: 46
 Total # of Units: 60
 No. & % of Tax Credit Units: 60 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.0%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 60 80 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 % of Special Need Units: 60 units 100%
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Gina Ferguson

Unit Mix

60 1-Bedroom Units
 60 Total Units

<u>Unit Type & Number*</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
60 1 Bedroom	30%	17%	\$247

*Project has 24-hour desk staffing in lieu of onsite manager unit.

Project Financing

Estimated Total Project Cost: \$11,636,575

Residential

Construction Cost Per Square Foot: \$94
 Per Unit Cost: \$193,943

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of the West	\$3,607,624	HCD MHP Supportive Housing	\$3,510,000
Existing SHRA loan (HOME)	\$2,056,860	Existing SHRA loan (HOME)	\$2,056,860
Existing AHP loan	\$240,000	Existing AHP loan	\$240,000
Deferred costs	\$5,036,884	AHP	\$600,000
Tax Credit Equity	\$695,207	Tax Credit Equity	\$5,229,715
		TOTAL	\$11,636,575

Determination of Credit Amount(s)

Requested Eligible Basis: \$4,342,462
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$5,645,201
 Applicable Rate: 9.00%
 Total Maximum Annual Federal Credit: \$508,068
 Approved Developer Fee (in Project Cost & Eligible Basis): \$566,408
 Investor/Consultant: California Housing Partnership Corporation
 Federal Tax Credit Factor: \$1.02933

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:	\$4,342,462
Actual Eligible Basis:	\$4,342,462
Unadjusted Threshold Basis Limit:	\$9,470,520
Total Adjusted Threshold Basis Limit:	\$11,364,624

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Tie-Breaker Information

First:	Special Needs
Second:	67.325%

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 exceed 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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:

Quinn Cottages is an existing tax credit project. The project received a federal credit allocation in 1995 (CA-1995-141). The project is currently under a 55 year regulatory agreement with TCAC. As Regulation Section 10322(k) does not permit acquisition credits in 9% applications of existing tax credit projects, this project is not eligible for acquisition credit. Accordingly, staff reduced the developer fee by the amount calculated from acquisition basis.

The project has a capitalized operating subsidy reserve of \$4.55 million funded by the tax credit equity to cover operating deficits. This reserve will replace existing subsidies from Sacramento County and Sacramento Housing and Redevelopment Agency, both of which are expected to expire in 2013. All of the project's units are targeted at 30% AMI, and as a result the project does not have positive cash flow. The \$4.55 million operating reserve will be drawn from at the expiration of the current public agency rental and operating subsidies, which is projected by the applicant to be within the first year after completion of the rehabilitation.

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, Sacramento Housing and Redevelopment Agency, 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
\$508,068	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. 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 ten 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 ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrm	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
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	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.