

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Mather Veterans Village Phase III, located at 3607 Bleckely Street in Rancho Cordova, requested and is being recommended for a reservation of \$1,275,996 in annual federal tax credits to finance the new construction of 50 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 6 and Assembly District 9.

The project will be receiving rental assistance in the form of HUD VASH vouchers and HUD Section 8 Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-17-094

Project Name Mather Veterans Village Phase III
Site Address: 3607 Bleckely Street
Rancho Cordova, CA 95655 County: Sacramento
Census Tract: 88.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,275,996	\$0
Recommended:	\$1,275,996	\$0

Applicant Information

Applicant: Mercy Housing California
Contact: Jeff Riley
Address: 2512 River Plaza Drive, Suite 200
Sacramento, CA 95833
Phone: 916-414-4406 Fax: 916-414-4490
Email: jriley@mercyhousing.org

General Partner(s) / Principal Owner(s): Mercy Housing Calwest
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing California
Developer: Mercy Housing California
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 3
 Total # of Units: 50
 No. & % of Tax Credit Units: 50 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD VASH Vouchers (25 units - 50%) /
 HUD Section 8 Project-based Vouchers (25 units - 50%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 20.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 30 60 %
 50% AMI: 20 40 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless / formerly homeless
 % of Special Need Units: 30 units 60%
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Lucy Vang

Unit Mix

44 1-Bedroom Units
 6 2-Bedroom Units

 50 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
22 1 Bedroom	30%	20%	\$278
3 2 Bedrooms	30%	20%	\$334
5 1 Bedroom	30%	20%	\$278
17 1 Bedroom	50%	40%	\$557
3 2 Bedrooms	50%	40%	\$668

Projected Lifetime Rent Benefit: \$17,031,300

Project Cost Summary at Application

Land and Acquisition	\$785,000
Construction Costs	\$8,568,026
Rehabilitation Costs	\$0
Construction Contingency	\$861,803
Relocation	\$0
Architectural/Engineering	\$636,000
Const. Interest, Perm. Financing	\$1,217,236
Legal Fees, Appraisals	\$88,500
Reserves	\$2,633,110
Other Costs	\$2,405,358
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$18,595,033

Project Financing

Estimated Total Project Cost:	\$18,595,033
Estimated Residential Project Cost:	\$18,595,033
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$267
Per Unit Cost:	\$371,901
True Cash Per Unit Cost*:	\$349,769

Construction Financing

Source	Amount
Wells Fargo Bank	\$12,954,000
Land Donation	\$725,000
City of Rancho Cordova**	\$75,000
City of Rancho Cordova - Fee Waiver	\$381,566
LISC Grant (GP loan)	\$45,000
Deferred Cost	\$2,786,110
Tax Credit Equity	\$1,628,357

Permanent Financing

Source	Amount
HCD - VHHP	\$6,010,651
Land Donation	\$725,000
City of Rancho Cordova**	\$75,000
City of Rancho Cordova - Fee Waiver	\$381,566
LISC Grant (GP loan)	\$45,000
Tax Credit Equity	\$11,357,816
TOTAL	\$18,595,033

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

**City of Rancho Cordova Funds passed through the General Partner

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,905,949
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,177,734
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,275,996
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.89011

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,905,949
Actual Eligible Basis:	\$13,957,949
Unadjusted Threshold Basis Limit:	\$10,737,924
Total Adjusted Threshold Basis Limit:	\$14,861,193

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
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	56.660%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

TCAC regulations require a project of this size to have one onsite manager unit. Per TCAC Regulation Section 10325(f)(7)(J) the project has committed to employ an equivalent number of on-site full-time property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property’s fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. TCAC reserves the right to require that one or more on-site managers’ units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

This project is Phase III of Mather Veterans Village Phase I (CA-14-031) and both phases will share services, community building, and staff offices. Both phases are under the same general partner, Mercy Housing Calwest. Prior to the start of construction, all necessary agreements shall be in place to ensure that Phase III has access to both the required space and services free of charge. The Joint Use Agreement shall be provided in the placed in service submission.

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, City of Rancho Cordova, 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
\$1,275,996	\$0

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 ¼ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of school grounds/facilities open to public with JUA	3	3	3
Within ½ mile of a weekly farmers' market operating at least 5 months/year	2	2	2
Special Needs/SRO project within ½ mile of facility serving tenant pop.	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			
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 bdrms	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.