

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2015 First Round**

**June 10, 2015**

**REVISED**

**Project Number** CA-15-820

**Project Name** Mutual Housing at Foothill Farms  
Site Address: 5324 Hemlock Street  
Sacramento, CA 95841 County: Sacramento  
Census Tract: 75.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$654,627	\$1,424,963
Recommended:	\$654,627	\$1,424,963

**Applicant Information**

Applicant: Foothill Plaza Housing Associates, LP  
Contact: Vanessa Guerra  
Address: 8001 Fruitridge Road, Suite A  
Sacramento, CA 95820  
Phone: 916-453-8400 Fax: 916-453-8401  
Email: vanessa@mutualhousing.com

General Partner(s)/Principal Owner(s): Foothill Plaza Mutual Housing Association, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): Mutual Housing California  
Developer: Mutual Housing California  
Investor/Consultant: California Housing Partnership Corporation  
Management Agent: Mutual Housing Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 11  
Total # of Units: 98  
No. & % of Tax Credit Units: 96 99%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (97 units - 100%)  
HCD MHP Funding: No  
Affordability Breakdown by Units and % (Lowest Income Points):  
30% AMI: 10 10 %  
45% AMI: 25 25 %  
50% AMI: 40 40 %  
Affordability Breakdown by % (Basis Limit Increase):  
Number of Units @ or below 35% of area median income: 10  
Number of Units @ or below 50% of area median income: 65  
Number of Units @ or below 60% of area median income: 21

**Bond Information**

Issuer: Housing Authority of the County of Sacramento  
 Expected Date of Issuance: October 1, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

30 1-Bedroom Units  
 38 2-Bedroom Units  
 20 3-Bedroom Units  
 10 4-Bedroom Units  


---

 98 Total Units

<u>Unit Type &amp; Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$386
4 2 Bedrooms	30%	30%	\$464
3 3 Bedrooms	30%	30%	\$535
1 4 Bedrooms	30%	30%	\$597
6 1 Bedroom	45%	43%	\$558
10 2 Bedrooms	45%	38%	\$581
6 3 Bedrooms	45%	39%	\$692
3 4 Bedrooms	45%	33%	\$657
12 1 Bedroom	50%	43%	\$558
16 2 Bedrooms	50%	38%	\$581
8 3 Bedrooms	50%	39%	\$692
4 4 Bedrooms	50%	33%	\$657
10 1 Bedroom	60%	43%	\$558
7 2 Bedrooms	60%	38%	\$581
2 3 Bedrooms	60%	39%	\$692
2 4 Bedrooms	60%	33%	\$657
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$750

**Project Cost Summary at Application**

Land and Acquisition	\$9,007,784
Construction Costs	\$0
Rehabilitation Costs	\$7,110,888
Construction Contingency	\$1,066,633
Relocation	\$422,283
Architectural/Engineering	\$242,843
Construction Interest, Perm Financing	\$1,124,000
Legal Fees, Appraisals	\$135,000
Reserves	\$642,968
Other Costs	\$356,300
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$22,608,699</b>

**Project Financing**

Estimated Total Project Cost:	\$22,608,699
Estimated Residential Project Cost:	\$22,608,699

**Residential**

Construction Cost Per Square Foot:	\$88
Per Unit Cost:	\$230,701

**Construction Financing**

Source	Amount
Citibank - Tax-Exempt Bonds	\$14,000,000
Seller Carryback Loan/Accrued Interest	\$5,239,836
Cash Reserves from Seller	\$967,784
Deferred Costs	\$392,275
General Partner Equity	\$100
Deferred Developer Fee	\$557,258
Tax Credit Equity	\$1,451,446

**Permanent Financing**

Source	Amount
Citibank	\$1,288,400
Citibank - Tranche B	\$6,544,300
Seller Carryback Loan/Accrued Interest	\$5,239,836
Income from Operations	\$233,000
Cash Reserves from Seller	\$967,784
General Partner Equity	\$100
Deferred Developer Fee	\$558,660
Tax Credit Equity	\$7,776,619
<b>TOTAL</b>	<b>\$22,608,699</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$11,077,430
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$8,970,000
Applicable Fraction:	98.95%
Qualified Basis (Rehabilitation):	\$10,961,252
Qualified Basis (Acquisition):	\$8,875,924
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$361,721
Maximum Annual Federal Credit, Acquisition:	\$292,906
Total Maximum Annual Federal Credit:	\$654,627
Total State Credit:	\$1,424,963
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.04236
State Tax Credit Factor:	\$0.66882

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:	\$20,047,430
Actual Eligible Basis:	\$20,047,430
Unadjusted Threshold Basis Limit:	\$24,737,380
Total Adjusted Threshold Basis Limit:	\$46,258,901

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 67%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

**Tie-Breaker Information**

Final: **15.817%**

**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 3.30% 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:** The project has an existing HUD Section 8 HAP contract on 97 units (100%).

TCAC has received and approved a waiver of the Large Family housing type requirement for the square footage size of the three-bedroom and four-bedroom units for this rehabilitation project. The three-bedroom units are approximately 901 square feet which is below TCAC's minimum of 1,000 square feet, and the four-bedroom units are approximately 1,070 square feet which is below TCAC's minimum of 1,200 square feet.

The project's applicable fraction is currently 98.95% because one of the existing tenant's income exceeds the tax credit income limits.

**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 Sacramento Housing and Redevelopment Agency, has completed a site review of this project and 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**  
**\$654,627**

**State Tax Credits/Total**  
**\$1,424,963**

**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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>14</b>	<b>14</b>
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
REHABILITATION			
Develop project in accordance w/ requirements of: GreenPoint Rated Existing H	5	5	5
Develop project to requirements of: GreenPoint Rated Existing Hor 65	2	2	2
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Total Points</b>	<b>126</b>	<b>125</b>	<b>125</b>

**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.**