

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 Second Round
September 24, 2014

Project Number CA-14-878

Project Name Heritage Commons Phase 2
 Site Address: 193 Heritage Lane
 Dixon, CA 95620 County: Solano
 Census Tract: 2534.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$416,938	\$1,613,089
Recommended:	\$416,938	\$1,613,089

Applicant Information

Applicant: Neighborhood Partners, LLC
 Contact: Luke Watkins
 Address: 2745 Portage Bay East
 Davis, CA 95616
 Phone: (530) 400-2927 Fax: (530) 756-1899
 Email: lukewatkins@sbcglobal.net

General Partner(s) / Principal Owner(s): Neighborhood Partners, LLC
 Davis Senior Housing Communities, Inc.
 The John Stewart Company
 General Partner Type: Joint Venture
 Parent Company(ies): Neighborhood Partners, LLC
 Davis Senior Housing Communities, Inc.
 The John Stewart Company
 Developer: Neighborhood Partners, LLC
 Investor/Consultant: Enterprise Community Investment
 Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 60
 No. & % of Tax Credit Units: 59 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: No

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI: 6 10 %
 40% AMI: 43 70 %
 50% AMI (Rural): 10 15 %

Affordability Breakdown by % (Basis Limit Increase):

Number of Units @ or below 35% of area median income: 6
 Number of Units @ or below 50% of area median income: 53

Bond Information

Issuer: California Communities
 Expected Date of Issuance: November 1, 2014
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

59 1-Bedroom Units
1 2-Bedroom Units
 60 Total Units

<u>Unit Type & 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>
6 1 Bedroom	30%	30%	\$431
43 1 Bedroom	40%	40%	\$575
10 1 Bedroom	50%	50%	\$719
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$13,654,000
 Estimated Residential Project Cost: \$13,654,000

Residential

Construction Cost Per Square Foot: \$178
 Per Unit Cost: \$227,567

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$7,200,000
HCD - HOME	\$2,000,000
AHP	\$1,500,000
Brookfield Dixon, LLC - Land Value	\$720,000
Cost Deferred to Perm. Phase	\$1,538,700
Tax Credit Equity	\$695,300

Permanent Financing

<u>Source</u>	<u>Amount</u>
HCD - HOME	\$5,500,000
AHP	\$1,500,000
Brookfield Dixon, LLC - Land Value	\$720,000
Deferred Developer Fee	\$891,387
Tax Credit Equity	\$5,042,613
TOTAL	\$13,654,000

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,408,858
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$12,408,858
Applicable Rate:	3.36%
Maximum Annual Federal Credit:	\$416,938
Total State Credit:	\$1,613,089
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,604,000
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	\$0.96570
State Tax Credit Factor:	\$0.63000

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:	\$12,408,858
Actual Eligible Basis:	\$12,408,858
Unadjusted Threshold Basis Limit:	\$13,695,602
Total Adjusted Threshold Basis Limit:	\$28,623,808

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: 89%
- 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: **54.307%**

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 3.36% 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's annual per unit operating expenses, in the amount of \$4,444, is below the TCAC published minimum of \$4,800. Upon agreement of the equity investor and the permanent lender, the proposed annual per unit operating expense amount of \$4,444 may be utilized for underwriting as allowed by TCAC Regulations Section 10327(g)(1).

In addition, the applicant’s estimate of syndication expenses slightly exceeds TCAC limit of 10%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs that exceed the limit will not be allowed.

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 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$416,938	\$1,613,089

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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 regular bus stop (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 3 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Senior project within 1 mile of daily operated senior center/facility	2	2	2
Within 1 mile of medical clinic or hospital	3	3	3
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
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 40.0%	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	20	20	20
Total Points	126	126	126

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.