

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2017 Second Round**

**September 20, 2017**

Willow Terrace, located at 237 East Gobbi Street in Ukiah, requested and is being recommended for a reservation of \$856,340 in annual federal tax credits and \$744,016 in total state tax credits to finance the new construction of 37 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by Rural Communities Housing Development Corporation and will be located in Senate District 2 and Assembly District 2.

<b>Project Number</b>	CA-17-124		
<b>Project Name</b>	Willow Terrace		
Site Address:	237 East Gobbi Street		
	Ukiah, CA 95482	County:	Mendocino
Census Tract:	116.000		
<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>	
Requested:	\$856,340	\$744,016	
Recommended:	\$856,340	\$744,016	

\* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

Applicant:	Rural Communities Housing Development Corporation		
Contact:	Ryan LaRue		
Address:	499 Leslie Street		
	Ukiah, CA 95482		
Phone:	707-463-1975	Fax:	(707) 463-2522
Email:	rlarue@rchdc.org		
General Partner(s) / Principal Owner(s):	Pine Meadows Corporation		
General Partner Type:	Nonprofit		
Parent Company(ies):	Rural Communities Housing Development Corporation		
Developer:	Rural Communities Housing Development Corporation		
Investor/Consultant:	Community Economics		
Management Agent(s):	Rural Communities Housing Development Corporation		

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 38  
 No. & % of Tax Credit Units: 37 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: N/A  
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 37 80 %

**Information**

Set-Aside: Rural  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless / formerly homeless  
 % of Special Need Units: 37 units 100%  
 Geographic Area: N/A  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

26 SRO/Studio Units  
 11 1-Bedroom Units  
 1 3-Bedroom Units  


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 38 Total Units

<u>Unit Type &amp; 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>
7 SRO/Studio	30%	26%	\$274
19 SRO/Studio	30%	30%	\$315
3 1 Bedroom	30%	24%	\$274
8 1 Bedroom	30%	30%	\$338
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$14,312,100

**Project Cost Summary at Application**

Land and Acquisition	\$176,430
Construction Costs	\$4,263,086
Rehabilitation Costs	\$0
Construction Contingency	\$426,309
Relocation	\$0
Architectural/Engineering	\$460,000
Const. Interest, Perm. Financing	\$368,311
Legal Fees, Appraisals	\$84,950
Reserves	\$2,944,189
Other Costs	\$983,855
Developer Fee	\$990,000
Commercial Costs	\$0
<b>Total</b>	<b>\$10,697,130</b>

**Project Financing**

Estimated Total Project Cost:	\$10,697,130
Estimated Residential Project Cost:	\$10,697,130
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$211
Per Unit Cost:	\$281,503
True Cash Per Unit Cost*:	\$281,503

**Construction Financing**

Source	Amount
JPMorgan Chase	\$3,769,430
Mendocino County - MHSA	\$1,336,000
Affordable Housing Program	\$1,267,500
Tax Credit Equity	\$800,000

**Permanent Financing**

Source	Amount
Mendocino County - MHSA	\$1,336,000
Affordable Housing Program	\$1,267,500
GP Equity	\$1,076
Solar Tax Credit Equity	\$90,000
Tax Credit Equity	\$8,002,554
<b>TOTAL</b>	<b>\$10,697,130</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$7,319,149
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$9,514,894
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$856,340
Total State Credit:	\$744,016
Approved Developer Fee in Project Cost:	\$990,000
Approved Developer Fee in Eligible Basis:	\$960,537
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.86500
State Tax Credit Factor:	\$0.80000

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:	\$7,319,149
Actual Eligible Basis:	\$7,319,149
Unadjusted Threshold Basis Limit:	\$7,354,703
Total Adjusted Threshold Basis Limit:	\$8,415,559

**Adjustments to Basis Limit**

100% of Units for Special Needs Population

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>34.724%</b>

**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**

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

**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 City of Ukiah, has completed a site review of this project and takes no position of 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$856,340</b>	<b>\$744,016</b>

**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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<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>15</b>	<b>15</b>
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	0
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Renewable energy providing percentage of tenants' energy loads: 40%	5	5	5
<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>15</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>138</b>	<b>138</b>	<b>138</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.**