

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 First Round Cycle
June 20, 2008

Project Number CA 2008-084

Project Name Rohner Village Apartments
Site Address: Corner of School Street and Ross Hill Road
Fortuna, CA 95540 County: Humboldt Census Tract: 110.0

Applicant Information

Applicant: Rohner Village LP, a California Limited Partnership (to-be-formed)
Contact: Chris Dart
Address: 5251 Ericson Way
Arcata, CA 95521
Phone: (707) 825-1531 **Fax:** (707) 822-9596
Email: cdart@danco-group.com

General Partners(s) Type: Joint Venture

Information

Set-Aside: Rural
Housing Type: Large Family
Geographic Area: N/A

Eligible Basis

Requested: \$4,994,712
Actual: \$6,959,712
Maximum Permitted: \$7,084,946

Adjustments to Threshold Basis Limit:

Exceeding Title 24 by at least 35%.
Local Impact Fees

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$528,151	\$0
Recommended:	\$528,151	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: None
Total # of Units: 35
Total # Residential Buildings: 6

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 34 units
Breakdown by %: 10% @ 30%, 25% @ 50%, 50% @ 55%

Selection Criteria	Max. Possible Points	Req. Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds (Maximum of 20 points)</i>	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
<i>Owner / Management Characteristics (Maximum of 9 points)</i>	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Negative Points	0	0	0
<i>Housing Needs (Maximum of 10 points)</i>	10	10	10
<i>Site Amenities (Maximum of 15 points)</i>	15	25	15
<input checked="" type="checkbox"/> Rural Dial-a-Ride / Within 500 feet of a regular bus stop or rapid transit system stop	4	4	4
<input checked="" type="checkbox"/> Rural project within 1 mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Rural project within ½ mile of a full-scale grocery store w/staples/fresh meat/produce	4	4	4
<input checked="" type="checkbox"/> Rural Large Family project within ½ mile of public school project children may attend	3	3	3
<input checked="" type="checkbox"/> Rural project within 1 mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Rural project within 1 mile of a pharmacy	1	1	1
<i>Service Amenities (Maximum of 10 points)</i>	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<i>Sustainable Building Methods (Maximum of 8 points)</i>	8	8	8
<input checked="" type="checkbox"/> Develop and commit to certifying the project with the Green Communities building standard	8	8	8
<i>Lowest Income (Maximum of 52 points)</i>	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed (Maximum of 20 points)</i>	20	20	20
<i>State credit substitution (Maximum of 2 points)</i>	2	2	2
Total Points	146	146	146

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**
 First: Housing Type **Large Family**
 Second: Calculated Ratio per Regulation 10325(c)(12) **78.345%**

<u>Unit Type & Number</u>	<u>2008 Rents for 1st Round 2008 % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 One-Bedroom Unit	30.0%	\$302
3 One-Bedroom Unit	50.0%	\$504
1 Two-Bedroom Unit	30.0%	\$363
6 Two-Bedroom Unit	50.0%	\$605
8 Two-Bedroom Unit	55.0%	\$665
1 Three-Bedroom Unit	30.0%	\$419
10 Three-Bedroom Unit	55.0%	\$769
2 Three-Bedroom Unit	60.0%	\$839
1 Four-Bedroom Unit	30.0%	\$468
1 Four-Bedroom Unit	60.0%	\$936
1 Four-Bedroom Unit	Manager's Unit	\$885

The general partner(s) or principal owner(s) are Johnson & Johnson Investments, LLC and Community Revitalization and Development Corporation, Inc.

The project developer is Danco Communities.

The management agent is Infinity Management, Inc.

The market analyst is M E Shay & Company.

The Local Reviewing Agency, the City of Fortuna, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$7,833,104 Per Unit Cost: \$223,803 Construction Cost Per Sq. Foot: \$159

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Boston Capital Finance LLC	\$1,442,934	Boston Capital Finance LLC	\$1,442,934
Boston Capital Corporation (energy credits)	\$103,200	Boston Capital Corporation (energy credits)	\$103,200
City of Fortuna	\$1,550,000	City of Fortuna	\$1,550,000
Deferred Developer Fee	\$194,873	Deferred Developer Fee	\$194,873
Investor Equity	\$4,542,097	Investor Equity	\$4,542,097
		TOTAL	\$7,833,104

Determination of Credit Amount(s)

Requested Eligible Basis:	\$4,994,712
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$129,863
Adjusted Qualified Basis:	\$6,363,263
Applicable Rate:	8.30%
Total Maximum Annual Federal Credit:	\$528,151
Total State Credit:	\$0
Approved Developer Fee:	\$907,788
Tax Credit Factor: Boston Capital	\$0.86

Applicant requests and staff recommends annual federal credits of \$528,151 and total state credits of \$0, based on a qualified basis of \$6,363,263 and a funding shortfall of \$4,542,097.

Cost Analysis and Line Item Review

The requested eligible basis, \$4,994,712, is below TCAC's threshold basis limit \$7,084,946. The basis limit was increased by the following extraordinary features: local development impact fees; and exceeding Title 24 by at least 35%. Annual operating expenses meet 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 8.30% 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: Total Developer Costs included in the project's Sources and Uses Budget were in excess of those allowed by TCAC regulations (section 10327(c)(2)(A)). A reduction of Total Developer Costs to comply with the regulations resulted in reduced Total Project Costs, Total Eligible Basis, Total Eligible Basis Voluntarily Excluded, and Deferred Developer Fee.

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.

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/Annual	State/Total
\$528,151	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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** 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.

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)(8) 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)(P) at project completion.

Additional Conditions:

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **November 17, 2008**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Gina Ferguson