

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2011 Second Round

September 28, 2011

REVISED

Project Number CA-2011-879

Project Name Heritage Commons
Site Address: 191 Heritage Lane
Dixon, CA 95620 County: Solano
Census Tract: 2534.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$411,060	\$1,571,672
Recommended:	\$411,060	\$1,571,672

Applicant Information

Applicant: Davis Senior Housing Communities, Inc.
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) or principal owner(s): Davis Senior Housing Communities, Inc.
Neighborhood Partners, LLC
The John Stewart Company

General Partner Type: Joint Venture

Developer: Neighborhood Partners, LLC

Investor/Consultant: National Equity Fund

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

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

30% AMI:	21	35 %
40% AMI:	9	15 %
50% AMI:	29	45 %

Bond Information

Issuer: California Statewide Communities Development Authority (CSCDA)
 Expected Date of Issuance: December 2011
 Credit Enhancement: None

Information

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

Unit Mix

59 1-Bedroom Units
 1 2-Bedroom Units

 60 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	30%	17%	\$253
14 1 Bedroom	30%	30%	\$458
9 1 Bedroom	40%	40%	\$611
29 1 Bedroom	50%	50%	\$764
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$12,705,000

Residential

Construction Cost Per Square Foot: \$184
 Per Unit Cost: \$211,750

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank - Tax Exempt Bonds	\$7,000,000	HCD HOME	\$6,000,000
HCD HOME	\$2,638,332	CalHFA MHSA	\$528,400
City of Dixon Redevelopment Agency	\$343,000	City of Dixon Redevelopment Agency	\$343,000
AHP	\$1,000,000	AHP	\$1,000,000
Deferred Costs	\$1,023,668	Deferred Developer Fee	\$225,923
Tax Credit Equity	\$700,000	Tax Credit Equity	\$4,607,677
		TOTAL	\$12,705,000

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,090,000
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$12,090,000
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$411,060
Total State Credit:	\$1,571,672
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.87243
State Tax Credit Factor:	\$0.64992

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:	\$12,090,000
Actual Eligible Basis:	\$12,090,000
Unadjusted Threshold Basis Limit:	\$14,813,573
Total Adjusted Threshold Basis Limit:	\$39,107,833

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 64%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 70%

Tie-Breaker Information

Final: N/A

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 3.40% 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:

This project has 7 units subsidized by CalHFA's MHSA program (Mental Health Services Act).

Syndication costs were included in the project budget in error. These costs have been removed and the total project cost has been reduced by \$55,000.

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 Dixon, 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
\$411,060

State Tax Credits/Total
\$1,571,672

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 any Readiness 180-Day 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 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
Dial-a-ride service provided to tenants	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 Multifamily	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 25%	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	15	10
Total Points	126	121	116

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.