

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2012 Second Round**  
**October 10, 2012**

**Project Number** CA-12-141

**Project Name** Cottages at Cypress  
 Site Address: 330 Cypress Street  
 Fort Bragg, CA 95437 County: Mendocino  
 Census Tract: 103.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$405,162	\$0
Recommended:	\$405,162	\$0

**Applicant Information**

Applicant: Fort Bragg Cypress LP (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 partner(s) or principal owner(s): Johnson and Johnson Investments LLC  
 Pine Gardens I, Inc.  
 General Partner Type: Joint Venture  
 Developer: Danco Communities  
 Investor/Consultant: Boston Financial Investment Mgmt  
 Management Agent: AWI Management Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 27  
 Total # of Units: 25  
 No. & % of Tax Credit Units: 24 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: USDA RHS 515  
 Utility Allowance: CUAC  
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	3	10 %
45% AMI:	4	15 %
50% AMI (Rural):	16	50 %

**Information**

Set-Aside: Rural/RHS 515  
 Housing Type: Seniors  
 Geographic Area: N/A  
 TCAC Project Analyst: Nicola Hil

**Unit Mix**

18 1-Bedroom Units  
 7 2-Bedroom Units  


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 25 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 1 Bedroom	50%	50%	\$543
4 1 Bedroom	45%	45%	\$489
1 1 Bedroom	30%	30%	\$326
1 2 Bedrooms	55%	55%	\$717
3 2 Bedrooms	50%	50%	\$652
2 2 Bedrooms	30%	30%	\$391
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$700

**Project Financing**

Estimated Total Project Cost: \$4,995,938      Construction Cost Per Square Foot: \$152  
 Per Unit Cost: \$199,838

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$3,128,952	USDA RHS 515	\$1,000,000
Tax Credit Equity	\$1,866,986	Deferred Developer Fee	\$106,383
		Tax Credit Equity	\$3,889,555
		<b>TOTAL</b>	<b>\$4,995,938</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$4,155,508  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$5,402,160  
 Applicable Rate: 7.50%  
 Maximum Annual Federal Credit: \$405,162  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$564,849  
 Investor/Consultant: Boston Financial Investment Mgmt  
 Federal Tax Credit Factor: \$0.96000

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:	\$4,155,508
Actual Eligible Basis:	\$4,330,508
Unadjusted Threshold Basis Limit:	\$4,507,156
Total Adjusted Threshold Basis Limit:	\$4,666,728

**Adjustments to Basis Limit:**

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Seniors</b>
Second:	<b>25.624%</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 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 7.50% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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:**

Staff noted that the preliminary architectural drawings did not identify the required amount of washer/dryer required by regulation. Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 15 units upon completion of the project prior to the issuance of federal and state tax forms.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$405,162</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. 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 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>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 ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
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>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	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>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</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.**