

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 First Round
June 10, 2015

Project Number CA-15-082

Project Name Karuk Homes I
 Site Address: Karuk Tribe Housing Authority Yreka Subdivision
 Yreka, CA 96097 County: Siskiyou
 Census Tract: 06093000701 & 06093000702

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$874,302	\$3,409,157
Recommended:	\$874,302	\$3,409,157

Applicant Information

Applicant: Karuk Homes I Limited Partnership
 Contact: Erin Hillman
 Address: 635 Jacobs Way
 Happy Camp, CA 96039
 Phone: (530) 493-1414 Fax: (530) 493-1416
 Email: ehillman@karuk.us

General Partner(s) / Principal Owner(s): Karuk Tribe Housing Authority
 General Partner Type: Nonprofit
 Parent Company(ies): Karuk Tribe Housing Authority
 Developer: Karuk Tribe Housing Authority
 Investor/Consultant: RBC Capital Markets
 Management Agent(s): Karuk Tribe Housing Authority
 AWI Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 30
 Total # of Units: 30
 No. & % of Tax Credit Units: 29 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: NAHASDA Rental Subsidy (29 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 3 10 %
 40% AMI: 8 25 %
 50% AMI (Rural): 12 40 %

Information

Set-Aside: Rural (Native American)
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Daniel Tran

Unit Mix

15 3-Bedroom Units
 13 4-Bedroom Units
2 5-Bedroom Units
 28 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>
3 3 Bedrooms	60%	32%	\$456
3 4 Bedrooms	60%	32%	\$514
7 3 Bedrooms	50%	32%	\$456
4 4 Bedrooms	50%	32%	\$514
1 5 Bedrooms	50%	33%	\$573
4 3 Bedrooms	40%	32%	\$456
4 4 Bedrooms	40%	32%	\$514
2 4 Bedrooms	30%	28%	\$439
1 5 Bedrooms	30%	27%	\$473
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$0
Construction Costs	\$9,430,943
Rehabilitation Costs	\$0
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$588,297
Construction Interest, Perm Financing	\$15,000
Legal Fees, Appraisals	\$15,000
Reserves	\$36,270
Other Costs	\$163,372
Developer Fee	\$1,220,000
Commercial Costs	\$0
Total	\$11,468,882

Project Financing

Estimated Total Project Cost:	\$11,468,882
Estimated Residential Project Cost:	\$11,468,882

Residential

Construction Cost Per Square Foot:	\$161
Per Unit Cost:	\$382,296

Construction Financing

Source	Amount
Karuk Tribe Housing Authority	\$1,433,146
Tax Credit Equity	\$7,955,355

Permanent Financing

Source	Amount
Karuk Tribe Housing Authority	\$1,433,146
Tax Credit Equity	\$10,035,736
TOTAL	\$11,468,882

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,369,340
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$11,369,340
Applicable Rate:	7.69%
Maximum Annual Federal Credit:	\$874,302
Total State Credit:	\$3,409,157
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,220,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.91000
State Tax Credit Factor:	\$0.61000

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:	\$11,369,340
Actual Eligible Basis:	\$11,369,340
Unadjusted Threshold Basis Limit:	\$9,903,960
Total Adjusted Threshold Basis Limit:	\$12,379,950

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

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

- Irrigated with reclaimed water, greywater, or rainwater (excluding community gardens)
- Community gardens of at least 60 square feet per unit
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Project meets all requirements of US EPA Indoor Air Plus Program.

Tie-Breaker Information

First: **Large Family**
Second: **15.909%**

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 project has NAHASDA funds where if the rental income is not sufficient to cover the operating expenses, the Tribe/Tribally Designated Housing Authorities (TDHE) invokes the Housing Assistance Payment Agreement to provide an as-needed subsidy to bring the project back up to breakeven

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 Karuk Tribe, 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	State Tax Credits/Total
\$874,302	\$3,409,157

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 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
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	20	8	8
Public Funds	20	12	12
Owner / Management Characteristics	9	8	8
General Partner Experience	6	6	6
Management Experience	3	2	2
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 ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
In-unit high speed internet service	2	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Develop project to requirements of: GreenPoint Silver	3	3	3
Energy efficiency beyond CA Building Code Title 24 requirements: 35.0%	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	53	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Eventual Tenant Ownership	1	1	1
Total Points	148	147	147

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.