

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2015 Second Round**

**September 23, 2015**

Woodfords LIHTC, located at Diamond Valley Road and Washoe Boulevard in Markleeville, CA, requested and is being recommended for a reservation of \$558,093 in annual federal tax credits and \$1,717,620 in total state tax credits to finance the acquisition and rehabilitation of 24 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Washoe Housing Authority and will be located in Senate District 1 and Assembly District 5.

The project will be receiving rental assistance in the form of NAHASDA (Native American Housing Assistance and Self-Determination Act) rental subsidy.

**Project Number** CA-15-083

**Project Name** Woodfords LIHTC  
Site Address: Diamond Valley Road and Washoe Boulevard  
Markleeville, CA 96120 County: Alpine  
Census Tract: 100.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$558,093	\$1,717,620
Recommended:	\$558,093	\$1,717,620

**Applicant Information**

Applicant: Woodfords LIHTC Limited Partnership  
Contact: Raymond Gonzales, Jr.  
Address: 96A Washoe Boulevard  
Markleeville, CA 96120  
Phone: (775) 265-2410 Fax: (775) 265-5293  
Email: raymond@whauthority.com

General Partner(s) / Principal Owner(s):	Washoe Housing Authority
General Partner Type:	Nonprofit
Parent Company(ies):	Washoe Housing Authority
Developer:	Washoe Housing Authority
Investor/Consultant:	Prestige Affordable Housing Equity Partners
Management Agent(s):	Washoe Housing Authority Interstate Realty Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 24  
 Total # of Units: 24  
 No. & % of Tax Credit Units: 24 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: NAHASDA Rental Subsidy (24 units - 100%)  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 3 10 %  
 40% AMI: 8 30 %  
 50% AMI (Rural): 10 40 %

**Information**

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

**Unit Mix**

1 2-Bedroom Units  
 14 3-Bedroom Units  
 4 4-Bedroom Units  
 5 5-Bedroom Units  


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 24 Total Units

<b>Unit Type &amp; Number*</b>	<b>2015 Rents Targeted % of Area Median Income</b>	<b>2015 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 3 Bedrooms	60%	36%	\$819
2 5 Bedrooms	60%	35%	\$955
1 2 Bedrooms	50%	38%	\$730
6 3 Bedrooms	50%	36%	\$819
2 4 Bedrooms	50%	35%	\$888
1 5 Bedrooms	50%	35%	\$955
6 3 Bedrooms	40%	36%	\$819
1 4 Bedrooms	40%	35%	\$888
1 5 Bedrooms	40%	35%	\$955
1 3 Bedrooms	30%	28%	\$634
1 4 Bedrooms	30%	28%	\$708
1 5 Bedrooms	30%	28%	\$780

\*See "Special Issues/Other Significant Information" section below for information about the manager un

**Project Cost Summary at Application**

Land and Acquisition	\$3,400,000
Construction Costs	\$444,800
Rehabilitation Costs	\$3,670,169
Construction Contingency	\$348,274
Relocation	\$75,480
Architectural/Engineering	\$313,000
Construction Interest, Perm Financing	\$0
Legal Fees, Appraisals	\$7,750
Reserves	\$27,849
Other Costs	\$213,864
Developer Fee	\$920,000
Commercial Costs	\$0
<b>Total</b>	<b>\$9,421,186</b>

**Project Financing**

Estimated Total Project Cost:	\$9,421,186
Estimated Residential Project Cost:	\$9,421,186

**Residential**

Construction Cost Per Square Foot:	\$126
Per Unit Cost:	\$392,549

**Construction Financing**

Source	Amount
Washoe Housing Authority	\$3,091,877
Solar Credit Equity	\$119,819
Tax Credit Investor Equity	\$6,209,490

**Permanent Financing**

Source	Amount
Washoe Housing Authority	\$3,091,877
Solar Credit Equity	\$119,819
Tax Credit Equity	\$6,209,490
<b>TOTAL</b>	<b>\$9,421,186</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$5,725,400
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,570,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,725,400
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$3,570,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$440,283
Maximum Annual Federal Credit, Acquisition:	\$117,810
Total Maximum Annual Federal Credit:	\$558,093
Total State Credit:	\$1,717,620
Approved Developer Fee (in Project Cost & Eligible Basis):	\$920,000
Investor/Consultant:	Prestige Affordable Housing Equity Partners
Federal Tax Credit Factor:	\$0.92491
State Tax Credit Factor:	\$0.60994

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:	\$9,295,400
Actual Eligible Basis:	\$9,295,400
Unadjusted Threshold Basis Limit:	\$7,747,976
Total Adjusted Threshold Basis Limit:	\$10,072,369

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

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

- Project has onsite renewable generation estimated to produce 50% or more of annual 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.
- 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
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

**Tie-Breaker Information**

First:	<b>Large Family</b>
Second:	<b>41.468%</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 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 24 units are part of an existing 63-unit housing development, and the 24 units are dispersed throughout the housing subdivision. The 63-unit subdivision has one property manager, but the property manager does not reside in any of the 24 proposed low income housing tax credit (LIHTC) units. The tax credit application includes a written agreement between the Woodfords LIHTC Limited Partnership and Washoe Housing Authority confirming the onsite manager will continue to provide property management services for all of the units.

The partnership general partner and property management company, Washoe Housing Authority, qualifies for experience points under General Partner and Management Company Experience point scoring categories by its ownership and management of affordable rental developments, but lacks experience with California LIHTC projects. The applicant is contracting with Interstate Realty Management to qualify for these scoring points as provided under TCAC regulation section 10325(c)(2).

**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>\$558,093</b>	<b>\$1,717,620</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 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>13</b>	<b>13</b>
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
In-unit high speed internet service	2	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
Additional rehab measures: PV generation that offsets tenant loads	3	3	3
<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>146</b>	<b>146</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.**