

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 First Round**

**June 13, 2018**

Dat-naa-svt, located at Highway 101 to the West and Ocean View Dr. to the East in Smith River, requested and is being recommended for a reservation of \$1,033,111 in annual federal tax credits to finance the new construction of 20 units of housing serving large families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Tolowa Dee-ni' Nation and will be located in Senate District 2 and Assembly District 2.

The project will be receiving rental assistance in the form of NAHASDA Rental Subsidy.

**Project Number** CA-18-004

**Project Name** Dat-naa-svt  
Site Address: Highway 101 to the West and Ocean View Dr. to the East  
Smith River, CA 95567 County: Del Norte  
Census Tract: 2.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,033,111	\$0
Recommended:	\$1,033,111	\$0

**Applicant Information**

Applicant: Tolowa Dee-ni' Nation LIHTC Homes I Limited Partnership  
Contact: Don Daines  
Address: 140 Rowdy Creek Road  
Smith River, CA 95567  
Phone: 707-487-9255  
Email: don.daines@tolowa.com

General Partner(s) / Principal Owner(s):	Tolowa Dee-ni' Nation
General Partner Type:	Nonprofit
Parent Company(ies):	Tolowa Dee-ni' Nation
Developer:	Tolowa Dee-ni' Nation
Investor/Consultant:	RBC Capital Markets
Management Agent(s):	Tolowa Dee-ni' Nation Barker Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 21  
 Total # of Units: 21  
 No. & % of Tax Credit Units: 20 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: NAHASDA Rental Subsidy (21 units - 100%)

**Information**

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

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 2	10%
At or Below 40% AMI: 2	10%
At or Below 50% AMI (Rural): 10	50%
At or Below 60% AMI: 6	30%

**Unit Mix**

2 1-Bedroom Units
6 2-Bedroom Units
7 3-Bedroom Units
6 4-Bedroom Units
<u>21 Total Units</u>

<u>Unit Type &amp; Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	50%	38%	\$422
6 2 Bedrooms	50%	42%	\$570
1 3 Bedrooms	30%	27%	\$417
2 3 Bedrooms	40%	34%	\$527
2 3 Bedrooms	50%	42%	\$657
1 3 Bedrooms	60%	56%	\$867
1 4 Bedrooms	30%	27%	\$464
5 4 Bedrooms	60%	56%	\$964
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$800

TCAC-confirmed Projected Lifetime Rent Benefit: \$2,461,800

**Project Cost Summary at Application**

Land and Acquisition	\$0
Construction Costs	\$9,217,203
Rehabilitation Costs	\$0
Construction Contingency	\$459,815
Relocation	\$0
Architectural/Engineering	\$575,531
Const. Interest, Perm. Financing	\$35,000
Legal Fees, Appraisals	\$40,000
Reserves	\$406,592
Other Costs	\$371,676
Developer Fee	\$538,200
Commercial Costs	\$0
<b>Total</b>	<b>\$11,644,017</b>

**Residential**

Construction Cost Per Square Foot:	\$213
Per Unit Cost:	\$554,477
True Cash Per Unit Cost*:	\$554,477

**Construction Financing**

Source	Amount
Tolowa Dee-ni' Nation	\$2,778,268
Solar Tax Credit Equity	\$84,151
Tax Credit Equity	\$8,781,598

**Permanent Financing**

Source	Amount
Tolowa Dee-ni' Nation	\$2,778,268
Solar Tax Credit Equity	\$84,151
Tax Credit Equity	\$8,781,598
<b>TOTAL</b>	<b>\$11,644,017</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$8,830,009
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,479,012
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,033,111
Approved Developer Fee (in Project Cost & Eligible Basis):	\$538,200
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.85001

Per Regulation Section 10327(c)(6), 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.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$8,830,009
Actual Eligible Basis:	\$10,706,327
Unadjusted Threshold Basis Limit:	\$6,887,608
Total Adjusted Threshold Basis Limit:	\$8,830,010

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

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

● New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

● Use no irrigation at all, irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>32.058%</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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.25%. 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.

**Significant Information / Additional Conditions**

TCAC regulation section 10325(c)(4)(B) requires that the services specialist and adult education health and wellness classes may not be delivered by the on-site Property Management staff.

When contracting with a California-experienced property management company as described in TCAC regulation section 10325(c)(1) (A)(ii) and (B)(ii), the general partner and property co-management entity must obtain training in: project operations, on-site certification training in federal fair housing law, and manager certification in IRS Section 42 program requirements from a CTCAC-approved, nationally recognized entity. Additionally, the experienced property management agent or an equally experienced substitute, must remain for a period of at least 3 years from the placed-in-service date (or, for ownership transfers, 3 years from the sale or transfer date) to allow for at least one (1) CTCAC monitoring visit to ensure the project is in compliance with IRC Section 42. Thereafter, the experienced property manager may transfer responsibilities to the remaining general partner or property management firm following formal written approval from CTCAC.

This project intends to make the Tax Credit Units available for eventual tenant ownership at the end of the initial 15 year compliance period. The applicant provided a plan which should be reviewed and updated in the placed in service package.

**Resyndication and Resyndication Transfer Event:** None.

### **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, Tolowa Dee-ni' Nation, has completed a site review of this project and strongly supports this project.

### **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 fifteen 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)(5) 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>6</b>	<b>6</b>
General Partner Experience	6	4	4
Management Experience	3	2	2
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities *</b>	<b>15</b>	<b>7</b>	<b>N/A</b>
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	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 Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
Eventual Tenant Ownership	1	1	1
<b>Total Points</b>	<b>113</b>	<b>102</b>	<b>95</b>

\*The Site Amenities point category was not scored pursuant to TCAC Regulations Section 10325(c)(5)(A).

**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.**