

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

Rio Dell Rigby Affordable Housing Project, located at SW Corner of Center Street & Rigby Avenue in Rio Dell, requested and is being recommended for a reservation of \$629,240 in annual federal tax credits to finance the new construction of 25 units of housing serving special needs tenants with rents affordable to households earning 30-40% of area median income (AMI). The project will be developed by Danco Communities and will be located in Senate District 2 and Assembly District 2.

The project will be receiving rental assistance from Humboldt County Department of Health and Human Services (DHHS) in the form of project based rental assistance.

Project Number CA-18-085

Project Name Rio Dell Rigby Affordable Housing Project
Site Address: SW Corner of Center Street & Rigby Ave
Rio Dell, CA 95562 County: Humboldt
Census Tract: 111.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$629,240	\$0
Recommended:	\$629,240	\$0

Applicant Information

Applicant: Rio Dell Rigby LP
Contact: Chris Dart
Address: 5251 Ericson Way
Arcata, CA 95521
Phone: (707) 822-9000
Email: cdart@danco-group.com

General Partner(s) / Principal Owner(s): Community Revitalization & Development Corp.
Johnson & Johnson Investments LLC

General Partner Type: Joint Venture

Parent Company(ies): Danco Communities
Community Revitalization & Development Corp.
Danco Communities

Developer: Danco Communities

Investor/Consultant: Raymond James

Management Agent(s): Danco Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 26
 Total # of Units: 26
 No. & % of Tax Credit Units: 25 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Utility Allowance: CUAC

Information

Set-Aside: Rural
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.40%
 % of Special Need Units: 25 units 100%
 Geographic Area: N/A
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

	<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	4	15%
At or Below 40% AMI:	21	80%

Unit Mix

22 1-Bedroom Units
 4 2-Bedroom Units

 26 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$336
19 1 Bedroom	40%	40%	\$448
1 2 Bedrooms	30%	30%	\$403
2 2 Bedrooms	40%	40%	\$538
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$4,670,820

Project Cost Summary at Application

Land and Acquisition	\$400,000
Construction Costs	\$4,693,333
Rehabilitation Costs	\$0
Construction Contingency	\$234,667
Relocation	\$0
Architectural/Engineering	\$600,000
Const. Interest, Perm. Financing	\$348,341
Legal Fees, Appraisals	\$107,500
Reserves	\$63,475
Other Costs	\$519,436
Developer Fee	\$934,963
Commercial Costs	\$0
Total	\$7,901,715

Residential

Construction Cost Per Square Foot:	\$223
Per Unit Cost:	\$303,912
True Cash Per Unit Cost*:	\$296,649

Construction Financing

Source	Amount
Pacific Western Bank	\$4,665,000
Humboldt County DHHS ¹ Grant	\$1,050,000
Tax Credit Equity	\$2,186,715

Permanent Financing

Source	Amount
Pacific Western Bank	\$900,000
Humboldt County DHHS ¹ Grant	\$1,050,000
Deferred Developer Fee	\$188,829
Solar Tax Credit Equity	\$99,727
Tax Credit Equity	\$5,663,159
TOTAL	\$7,901,715

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

¹Department of Health & Human Services

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,378,118
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$6,991,553
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$629,240
Approved Developer Fee (in Project Cost & Eligible Basis):	\$934,963
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.90000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$5,378,118
Actual Eligible Basis:	\$7,289,714
Unadjusted Threshold Basis Limit:	\$6,208,854
Total Adjusted Threshold Basis Limit:	\$7,175,676

Adjustments to Basis Limit

100% of the Low Income Units for Special Needs Population

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

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- 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:	Special Needs
Final:	32.271%

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 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

The applicant's estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC's minimum. Pursuant to TCAC Regulations 10327(a), the shortage of sources for the 3-month operating reserve is within the \$50,000 limit allowed by TCAC to be deemed an application error which shall be covered by the project's contingency line item. The applicant must correct the 3-month operating reserve in the readiness submission.

The project's pro forma shows cash flow after debt service exceeding limits established by TCAC Regulations. Pursuant to TCAC Regulations 10327(g), the overage of cash flow is within the \$5,000 limit allowed by Committee. The applicant must correct the cash flow overage in the readiness submission.

The project will be receiving rental assistance from Humboldt County Department of Health and Human Services (DHHS) for all 25 affordable housing units.

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, City of Rio Dell, 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.

Points System	Max. Possible	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
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1.5 miles of medical clinic or hospital	2	2	2
Within 2 miles of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Enhanced Accessibility and Visitability	2	2	2
Total Points	113	113	113

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