

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

Samoa Coast Townhomes, located at Northwest corner of Vance Avenue south of Cutten Street in Samoa, requested and is being recommended for a reservation of \$2,194,899 in annual federal tax credits to finance the new construction of 79 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 Danco Communities and will be located in Senate District 2 and Assembly District 2.

The project will be receiving rental assistance in the form of Department of Health & Human Services (DHHS) Rental Assistance. The project financing includes state funding from the IIG program of HCD.

**Project Number** CA-18-087

**Project Name** Samoa Coast Townhomes  
**Site Address:** Vance Avenue south of Cutten Street  
Samoa, CA 95564 County: Humboldt  
**Census Tract:** 0013.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,194,899	\$0
Recommended:	\$2,194,899	\$0

**Applicant Information**

**Applicant:** Samoa Vance Ave 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  
Danco Communities

**General Partner Type:** Joint Venture

**Parent Company(ies):** Community Revitalization & Development Corp.  
Johnson & Johnson Investments, LLC

**Developer:** Danco Communities

**Investor/Consultant:** Raymond James

**Management Agent(s):** Danco Property Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 10  
 Total # of Units: 80  
 No. & % of Tax Credit Units: 79 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: None  
 Utility Allowance: CUAC

**Information**

Set-Aside: Rural  
 Housing Type: Large Family  
 Geographic Area: N/A  
 TCAC Project Analyst: Marlene McDonough

**55-Year Use / Affordability**

	<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	13	15%
At or Below 45% AMI:	30	35%
At or Below 50% AMI:	36	40%

**Unit Mix**

8 1-Bedroom Units  
 34 2-Bedroom Units  
 30 3-Bedroom Units  
 8 4-Bedroom Units  


---

 80 Total Units

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 1 Bedroom	30%	30%	\$336
1 1 Bedroom	45%	45%	\$504
6 1 Bedroom	50%	50%	\$560
3 2 Bedrooms	30%	30%	\$403
15 2 Bedrooms	45%	45%	\$605
15 2 Bedrooms	50%	50%	\$672
7 3 Bedrooms	30%	30%	\$465
11 3 Bedrooms	45%	45%	\$698
12 3 Bedrooms	50%	50%	\$776
2 4 Bedrooms	30%	30%	\$519
3 4 Bedrooms	45%	45%	\$779
3 4 Bedrooms	50%	50%	\$866
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$23,389,740

**Project Cost Summary at Application**

Land and Acquisition	\$1,225,000
Construction Costs	\$21,069,590
Rehabilitation Costs	\$0
Construction Contingency	\$1,053,480
Relocation	\$0
Architectural/Engineering	\$1,400,000
Const. Interest, Perm. Financing	\$917,564
Legal Fees, Appraisals	\$107,500
Reserves	\$141,591
Other Costs	\$1,241,326
Developer Fee	\$2,880,084
Commercial Costs	\$0
<b>Total</b>	<b>\$30,036,135</b>

**Residential**

Construction Cost Per Square Foot:	\$171
Per Unit Cost:	\$375,452
True Cash Per Unit Cost*:	\$371,515

**Construction Financing**

Source	Amount
Pacific Western Bank	\$17,150,000
HCD IIG	\$3,471,000
Samoa CSD Fee Waiver	\$820,720
Humboldt Area Foundation	\$1,000,000
Tax Credit Equity	\$7,594,415

**Permanent Financing**

Source	Amount
Pacific Western Bank	\$3,562,835
HCD IIG	\$3,471,000
Samoa CSD Fee Waiver	\$820,720
Humboldt Area Foundation	\$1,000,000
Deferred Developer Fee	\$686,452
Solar Tax Credit Equity	\$302,054
Tax Credit Equity	\$20,193,074
<b>TOTAL</b>	<b>\$30,036,135</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$18,759,823
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,387,770
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,194,899
Approved Developer Fee in Project Cost:	\$2,880,084
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.92000

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:	\$18,759,823
Actual Eligible Basis:	\$26,859,823
Unadjusted Threshold Basis Limit:	\$25,250,848
Total Adjusted Threshold Basis Limit:	\$39,138,815

**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:

- 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.

Environmental Mitigation

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>32.266%</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 are slightly below the minimum operating expenses established in the Regulations (See "**Significant Information / Additional Conditions**" Section below), 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 for annual operating expenses per unit is below the \$4,900 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of \$4,165 in agreement with the permanent lender and equity investor.

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 commitment for the \$1 million Humboldt Area Foundation (HAF) loan is being considered leveraged as soft financing on the condition that the HAF loan to the project close before the readiness deadline. In the event that the HAF loan does not close by this deadline, the credit reservation will be rescinded and TCAC will consider the imposition of negative points to the applicants.

The applicant's final contract with the service provider for Health and Wellness classes must ensure absolute priority for tenants over non-tenants at all times with no limit on tenant participation.

**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, The County of Humboldt, 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>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 ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Residents provided free or discounted transit passes, 1 pass per unit	3	3	3
Within 1 mile of public park or community center open to general public	3	3	3
Peninsula Union Elementary School	3	3	3
In-unit high speed internet service	3	3	3
<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
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
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</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.**