

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

The Woodlands II, located at 2900 Polk Street in Redding, requested and is being recommended, for a reservation of \$724,984 in annual federal tax credits to finance the new construction of 19 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 D. L. Horn & Associates and will be located in Senate District 4 and Assembly District 1.

The project financing includes state funding from SNHP through CalHFA.

Project Number CA-18-096

Project Name The Woodlands II
Site Address: 2900 Polk Street
Redding, CA 96001 County: Shasta
Census Tract: 104.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$724,984	\$0
Recommended:	\$724,984	\$0

Applicant Information

Applicant: PC Redding Apartments II LP
Contact: Erik Halter
Address: 100 Pacifica, Suite 205
Irvine, CA 92618
Phone: 949-625-6419
Email: ehalter@palmcommunities.com

General Partner(s) / Principal Owner(s): Palm Communities
Northern Valley Catholic Social Service

General Partner Type: Joint Venture

Parent Company(ies): Palm Communities
Northern Valley Catholic Social Service

Developer: D.L. Horn & Associates

Investor/Consultant: Boston Financial Investment Management, LP

Management Agent(s): Northern Valley Catholic Social Service

Project Information

Construction Type: New Construction

Total # Residential Buildings: 3

Total # of Units: 20

No. & % of Tax Credit Units: 19 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: N/A

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Northern Region
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 7	35%
At or Below 60% AMI: 12	60%

Unit Mix

5 1-Bedroom Units
10 2-Bedroom Units
<u>5 3-Bedroom Units</u>
20 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>
5 1 Bedroom	30%	24%	\$273
1 2 Bedrooms	30%	30%	\$414
1 2 Bedrooms	60%	40%	\$553
1 2 Bedrooms	60%	45%	\$622
4 2 Bedrooms	60%	50%	\$691
2 2 Bedrooms	60%	60%	\$829
1 3 Bedrooms	30%	30%	\$479
1 3 Bedrooms	60%	45%	\$718
2 3 Bedrooms	60%	50%	\$798
1 3 Bedrooms	60%	60%	\$958
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$5,315,640

Project Cost Summary at Application

Land and Acquisition	\$260,000
Construction Costs	\$4,047,000
Rehabilitation Costs	\$0
Construction Contingency	\$204,374
Relocation	\$0
Architectural/Engineering	\$500,000
Const. Interest, Perm. Financing	\$341,687
Legal Fees, Appraisals	\$125,000
Reserves	\$408,725
Other Costs	\$852,942
Developer Fee	\$811,694
Commercial Costs	\$0
Total	\$7,551,422

Residential

Construction Cost Per Square Foot:	\$221
Per Unit Cost:	\$377,571
True Cash Per Unit Cost*:	\$364,571

Construction Financing

Source	Amount
JPMorgan Chase Bank, N.A.	\$5,369,957
CalHFA - SNHP Capital Loan	\$236,000
City of Redding - Land Lease Donation	\$260,000
Deferred Developer Fee and Costs	\$1,014,923
Tax Credit Equity	\$670,542

Permanent Financing

Source	Amount
CalHFA - SNHP Capital Loan	\$236,000
CalHFA - COSR	\$350,000
City of Redding - Land Lease Donation	\$260,000
Tax Credit Equity	\$6,705,422
TOTAL	\$7,551,422

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,196,441
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$8,055,373
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$724,984
Approved Developer Fee (in Project Cost & Eligible Basis):	\$811,694
Investor/Consultant:	Boston Financial Investment Management, LP
Federal Tax Credit Factor:	\$0.92491

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:	\$6,196,441
Actual Eligible Basis:	\$6,622,104
Unadjusted Threshold Basis Limit:	\$5,621,110
Total Adjusted Threshold Basis Limit:	\$6,196,441

Adjustments to Basis Limit

- Community gardens of at least 60 square feet per unit
 - Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is also used
- Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	11.486%

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 were below the minimum operating expenses established in the Regulations. TCAC adjusted accordingly, see the "**Significant Information / Additional Conditions**" section below. Staff has calculated federal tax credits based on 9.0% of the qualified basis. 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 application's operating expenses were below the TCAC minimum of \$4,500 per unit per year at \$4,197, less than the amount required under regulation section 10327(g)(1). When underwritten using the minimum operating expenses, the project proforma shows a positive cash flow from year one. At the submission of the next updated TCAC application required by TCAC and all subsequent submissions to TCAC including the placed-in-service submission for the issuance of the IRS 8609 forms, the applicant shall include operating expenses at a level that meets the requirement of regulation section 10327(g)(1).

This project is a Phase II, to be located adjacent to the applicant's previously awarded first phase, CA-15-054, The Woodlands. The application indicates that The Woodlands II tenants will receive services at the The Woodlands' community space/facilities. Prior to the start of construction, all necessary agreements shall be in place to ensure that Phase II has access to the required space free of charge and the services. The Joint Use Agreement shall be provided in the placed in service submission.

The CalHFA Special Needs Housing Program (SNHP) funds will provide for 5 units for tenants with disabilities.

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 City of Redding, 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 Points	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 ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/4 mile of a public elementary school that project children may attend	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 6 hours/week	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
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
State Credit Substitution	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 PAST SCORING.