

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

July 17, 2019

Woo-Mehl LIHTC Homes, located at HC Martins Ferry in Weitchpec, requested and is being recommended for a reservation of \$768,575 in annual federal tax credits to finance the new construction, acquisition and rehabilitation of 16 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 Yurok Housing Authority and is 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-19-007

Project Name Woo-Mehl LIHTC Homes
Site Address: HC Martins Ferry
Weitchpec, CA 95546 County: Humboldt
Census Tract: 9400.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$768,575	\$0
Recommended:	\$768,575	\$0

Applicant Information

Applicant: Woo-Mehl LIHTC Homes Limited Partnership
Contact: Nicole Sager
Address: 15540 US Hwy 101 North
Klamath, CA 95548
Phone: 707-482-1506
Email: nsager@yurokhousing.com

General Partner(s) / Principal Owner(s): Yurok Housing Authority
General Partner Type: Nonprofit
Parent Company(ies): Yurok Housing Authority
Developer: Yurok Housing Authority
Investor/Consultant: RBC Capital Markets
Management Agent(s): Yurok Housing Authority

Project Information

Construction Type: New Construction and Acquisition & Rehabilitation
Total # Residential Buildings: 14
Total # of Units: 17
No. & % of Tax Credit Units: 16 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: NAHASDA

Information

Set-Aside: Rural (Native American apportionment)
 Housing Type: Large Family
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	3 15%
At or Below 40% AMI:	5 30%
At or Below 60% AMI:	8 50%

Unit Mix

4 1-Bedroom Units
2 2-Bedroom Units
11 3-Bedroom Units
<u>17 Total Units</u>

<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>
1 1 Bedroom	30%	30%	\$334
1 1 Bedroom	40%	38%	\$429
2 1 Bedroom	60%	55%	\$619
1 2 Bedrooms	30%	30%	\$397
1 2 Bedrooms	60%	56%	\$757
1 3 Bedrooms	30%	29%	\$457
4 3 Bedrooms	40%	39%	\$607
5 3 Bedrooms	60%	57%	\$882
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$600

Project Cost Summary at Application

Land and Acquisition	\$525,000
Construction Costs	\$4,775,964
Rehabilitation Costs	\$993,184
Construction Contingency	\$531,796
Relocation	\$0
Architectural/Engineering	\$699,489
Const. Interest, Perm. Financing	\$22,950
Legal Fees	\$45,000
Reserves	\$401,500
Other Costs	\$147,756
Developer Fee	\$600,000
Commercial Costs	\$0
Total	\$8,742,639

Residential

Construction Cost Per Square Foot:	\$259
Per Unit Cost:	\$514,273
True Cash Per Unit Cost*:	\$514,273

Construction Financing

Source	Amount
Yurok Housing Authority Loan	\$2,161,950
Solar Equity	\$47,686
Tax Credit Equity	\$6,533,003

Permanent Financing

Source	Amount
Yurok Housing Authority Loan	\$2,161,950
Solar Equity	\$47,686
Tax Credit Equity	\$6,533,003
TOTAL	\$8,742,639

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,420,939
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$525,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,347,221
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$525,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$751,250
Maximum Annual Federal Credit, Acquisition:	\$17,325
Total Maximum Annual Federal Credit:	\$768,575
Approved Developer Fee (in Project Cost & Eligible Basis):	\$600,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.85002

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:	\$6,945,939
Actual Eligible Basis:	\$8,128,633
Unadjusted Threshold Basis Limit:	\$5,601,564
Total Adjusted Threshold Basis Limit:	\$6,945,940

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.

Tie-Breaker Information

First:	Large Family
Final:	42.049%

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 or 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, 3.30%. 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.

Significant Information / Additional Conditions

The applicant’s estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The project will construct 11 new single-family units and rehabilitate 6 existing single-family units.

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.

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 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.

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	6	6
General Partner Experience	6	4	4
Management Experience	3	2	2
Housing Needs	10	10	10
Site Amenities	15	0	0
Service Amenities	10	10	10
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	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
Smoke Free Residence	2	2	2
Total Points	113	95	95

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.