

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Orr Creek Commons, located at 509 Brush Street in Ukiah, requested and is being recommended for a reservation of \$1,092,497 in annual federal tax credits to finance the new construction of 39 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Rural Communities Housing Development Corporation and will be located in Senate District 2 and Assembly District 2.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-19-067

Project Name Orr Creek Commons

Site Address: 509 Brush Street

Ukiah, CA 95482

County: Mendocino

Census Tract: 115.000

Tax Credit Amounts

Federal/Annual

State/Total

Requested: \$1,092,497 \$0

Recommended: \$1,092,497 \$0

Applicant Information

Applicant: Orr Creek Commons, LP

Contact: Ryan LaRue

Address: 499 Leslie Street

Ukiah, CA 95482

Phone: (707) 463-1975

Email: rlarue@rchdc.org

General Partner(s) / Principal Owner(s): Orr Creek Commons, LLC

General Partner Type: Nonprofit

Parent Company(ies): Rural Communities Housing Development Corporation

Developer: Rural Communities Housing Development Corporation

Investor/Consultant: Community Economics

Management Agent(s): Rural Communities Housing Development Corporation

Project Information

Construction Type: New Construction

Total # Residential Buildings: 5

Total # of Units: 40

No. & % of Tax Credit Units: 39 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HUD Project-based Vouchers (20 units - 51%) / HOME

Information

Set-Aside: Rural apportionment (HOME)
Housing Type: Special Needs
Type of Special Needs: Homeless / Transition Aged Youth / Physical, Mental, and Developmentally Disabled
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
% of Special Need Units: 30 units 75%
Geographic Area: N/A
TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 15	35%
At or Below 50% AMI (Rural): 24	50%

Unit Mix

26 1-Bedroom Units
13 2-Bedroom Units
1 3-Bedroom Units
40 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10 1 Bedroom	30%	30%	\$364
5 1 Bedroom	50%	50%	\$608
11 1 Bedroom	50%	50%	\$608
5 2 Bedrooms	30%	30%	\$438
8 2 Bedrooms	50%	50%	\$730
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,816,177
Construction Costs	\$8,306,800
Rehabilitation Costs	\$0
Construction Contingency	\$712,090
Relocation	\$0
Architectural/Engineering	\$517,200
Const. Interest, Perm. Financing	\$887,800
Legal Fees	\$85,000
Reserves	\$366,136
Other Costs	\$990,642
Developer Fee	\$1,730,277
Commercial Costs	\$0
Total	\$15,412,122

Residential

Construction Cost Per Square Foot:	\$248
Per Unit Cost:	\$385,303
True Cash Per Unit Cost*:	\$385,303

Construction Financing

Source	Amount
JPMorgan Chase	\$9,072,300
HCD - HOME	\$3,676,821
Mendocino County Loan	\$579,900
General Partner Equity	\$108
Tax Credit Equity	\$1,021,239

Permanent Financing

Source	Amount
Permanent Loan	\$1,062,900
HCD - HOME	\$3,676,821
Mendocino County Loan	\$579,900
General Partner Equity	\$109
Solar Tax Credit Equity	\$52,173
Tax Credit Equity	\$10,040,219
TOTAL	\$15,412,122

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,337,578
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$12,138,852
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,092,497
Approved Developer Fee in Project Cost:	\$1,730,277
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.91902

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:	\$9,337,578
Actual Eligible Basis:	\$13,054,809
Unadjusted Threshold Basis Limit:	\$10,348,854
Total Adjusted Threshold Basis Limit:	\$12,918,077

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
Local Development Impact Fees

Tie-Breaker Information

First:	Special Needs
Final:	43.575%

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

Significant Information / Additional Conditions

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

The applicant's estimate for annual operating expenses per unit is below the published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g), the shortage of expenses for total annual operating expenses is within the \$5,000 allowed by TCAC to be deemed an application error. The applicant must correct the operating expenses per unit shortage in the readiness submission.

The current legal description is part of a larger site and the project site's parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-19-067 must be completed as part of the Readiness to Proceed 180/194-Day 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, Community Development Commission of Mendocino County, 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 ¼ 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 full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs project within ½ mile of facility serving tenant population	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
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
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Renewable energy providing percentage of tenants' energy loads: 40%	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
Smoke Free Residence	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.**