CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2019 Second Round
September 25, 2019
REVISED

Donner Trail Manor, located at 121 C Street in Wheatland, requested and is being recommended for a reservation of $752,047 in annual federal tax credits and $2,506,823 in total state tax credits to finance the rehabilitation of 43 units of housing serving seniors with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by Horizon Development Consulting, LLC and is located in Senate District 4 and Assembly District 3.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number	CA-19-084	
Project Name	Donner Trail Manor	
Site Address:	121 C Street	
	Wheatland, CA 95692	County: Yuba
Census Tract:	408.000	

Tax Credit Amounts	**Federal/Annual**	**State/Total** *
Requested:	$752,047	$2,506,823
Recommended only if the Committee approves the pending appeal:	$752,047	$2,506,823

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant:	Horizon Development Consulting, LLC
Contact:	Keith Stanley
Address:	26565 West Agoura Road, Suite 200 Calabasas, CA 91302
Phone:	(818) 330-3314
Email:	Keith.Stanley@horizondev.com

General Partner(s) / Principal Owner(s):	Horizon Development Consulting, LLC AOF/Pacific Affordable Housing Corp.
General Partner Type:	Joint Venture
Parent Company(ies):	Keith Stanley The American Opportunity Foundation, Inc.
Developer:	Horizon Development Consulting, LLC
Investor/Consultant:	CREA, LLC
Management Agent(s):	Solari Enterprises, Inc.

Project Information

Construction Type:	Rehabilitation-Only
Total # Residential Buildings:	10
Total # of Units:	44
No. & % of Tax Credit Units:	43 100%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	USDA 515 / USDA 521 Rental Assistance (42 units / 95%)

Information

Set-Aside:	Rural
Housing Type:	At-Risk
Geographic Area:	N/A
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 30% AMI:	7	15%
At or Below 40% AMI:	11	25%
At or Below 50% AMI (Rural):	11	25%
At or Below 60% AMI:	9	20%
At or Below 80% AMI:	5	10%

Average Income Project (70% and 80% AMI Units): 50% AMI targeted average or less

Unit Mix

40	1-Bedroom Units
4	2-Bedroom Units
44	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	1 Bedroom	30%	30%	$364
11	1 Bedroom	40%	40%	$486
11	1 Bedroom	50%	50%	$608
7	1 Bedroom	60%	60%	$729
2	1 Bedroom	60%	60%	$729
3	1 Bedroom	80%	80%	$973
1	2 Bedrooms	30%	30%	$438
2	2 Bedrooms	80%	80%	$1,168
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$4,000,000
Construction Costs	$0
Rehabilitation Costs	$5,456,400
Construction Contingency	$698,640
Relocation	$184,000
Architectural/Engineering	$120,000
Const. Interest, Perm. Financing	$802,375
Legal Fees	$150,000
Reserves	$241,407
Other Costs	$430,382
Developer Fee	$1,105,575
Commercial Costs	$0
Total	**$13,188,779**

Residential

Construction Cost Per Square Foot:	$171
Per Unit Cost:	$299,745
True Cash Per Unit Cost*:	$286,638

Construction Financing

Source	Amount
Citibank	$9,250,000
USDA 515 - Assumed	$1,602,453
Deferred Developer Fee	$576,713
Tax Credit Equity	$1,759,613

Permanent Financing

Source	Amount
Tranche B	$2,200,000
USDA 515 - Assumed	$1,602,453
Net Operating Income	$142,672
Deferred Developer Fee	$423,504
Solar Tax Credit Equity	$22,080
Tax Credit Equity	$8,798,070
TOTAL	**$13,188,779**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$8,356,077
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,356,077
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	$752,047
Total State Credit:	$2,506,823
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,105,575
Investor/Consultant:	CREA, LLC
Federal Tax Credit Factor:	$0.91991
State Tax Credit Factor:	$0.74993

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:	$8,356,077
Actual Eligible Basis:	$16,832,154
Unadjusted Threshold Basis Limit:	$10,731,800
Total Adjusted Threshold Basis Limit:	$10,731,800

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	**At-Risk**
Final:	**32.618%**

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:

TCAC staff reduced the final tie breaker score because the applicant used incorrect USDA contract rents. At the September 25, 2019 Committee Meeting, the Committee directed Staff to allocate credits from the supplemental set aside to fund Donner Manor as a priority project.

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**	**9**	**9**
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	**10**	**10**	**10**
Site Amenities	**15**	**15**	**15**
Within ⅓ 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 ½ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1 mile of a pharmacy	2	2	2
In-unit high speed internet service (Rural set-aside only)	3	3	3
Service Amenities	**10**	**10**	**10**
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	**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**
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.