

# **CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

## **Project Staff Report**

### **2019 Second Round**

**September 25, 2019**

Dutton Flats, located at 206 - 214 West 3rd Street in Santa Rosa, requested and is being recommended for a reservation of \$1,230,000 in annual federal tax credits to finance the new construction of 40 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 Affordable Housing Alliance II, Inc. dba Integrity Housing and will be located in Senate District 2 and Assembly District 10.

**Project Number** CA-19-110

**Project Name** Dutton Flats

Site Address: 206 - 214 West 3rd Street

Santa Rosa, CA 95401

County: Sonoma

Census Tract: 1530.030

#### **Tax Credit Amounts**

#### **Federal/Annual**

#### **State/Total**

Requested: \$1,230,000

\$0

Recommended: \$1,230,000

\$0

#### **Applicant Information**

Applicant: Dutton Flats, LP

Contact: Phil Wood

Address: 4 Venture, Suite 295

Irvine, CA 92618

Phone: 949 727 3656

Email: phil@integrityhousing.org

General Partner(s) / Principal Owner(s):

IH Dutton Flats Santa Rosa LLC

Phoenix Development Company of Minneapolis

General Partner Type:

Joint Venture

Parent Company(ies):

Affordable Housing Alliance II, Inc.

Phoenix Development Company of Minneapolis

Developer:

Affordable Housing Alliance II, Inc.

Investor/Consultant:

CREA

Management Agent(s):

FPI Management, Inc

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 41  
 No. & % of Tax Credit Units: 40 100%  
 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: Diane SooHoo

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI: 9	20%
At or Below 50% AMI: 17	40%
At or Below 60% AMI: 14	35%

**Unit Mix**

11 1-Bedroom Units
15 2-Bedroom Units
15 3-BedroomUnits
<b>41 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
3 1 Bedroom	30%	30%	\$607
5 1 Bedroom	50%	50%	\$1,012
3 1 Bedroom	60%	60%	\$1,215
3 2 Bedrooms	30%	30%	\$729
6 2 Bedrooms	50%	50%	\$1,215
6 2 Bedrooms	60%	60%	\$1,458
3 3 Bedrooms	30%	30%	\$842
6 3 Bedrooms	50%	50%	\$1,404
5 3 Bedrooms	60%	60%	\$1,685
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,325,000
Construction Costs	\$10,688,997
Rehabilitation Costs	\$0
Construction Contingency	\$1,131,920
Relocation	\$0
Architectural/Engineering	\$1,000,000
Const. Interest, Perm. Financing	\$910,468
Legal Fees	\$245,000
Reserves	\$116,771
Other Costs	\$1,841,010
Developer Fee	\$2,348,277
Commercial Costs	\$0
<b>Total</b>	<b>\$19,607,443</b>

**Residential**

Construction Cost Per Square Foot:	\$221
Per Unit Cost:	\$478,230
True Cash Per Unit Cost*:	\$450,898

**Construction Financing**

Source	Amount
Banner Bank	\$11,360,635
City of Santa Rosa Loan	\$3,100,000
City of Santa Rosa Fee Waivers	\$612,115
Deferred fees and expenses	\$2,173,329
Tax Credit Equity	\$2,361,364

**Permanent Financing**

Source	Amount
Banner Bank	\$3,580,000
City of Santa Rosa Loan	\$3,100,000
City of Santa Rosa Fee Waivers	\$612,115
Developer Fee Note	\$508,509
Tax Credit Equity	\$11,806,819
<b>TOTAL</b>	<b>\$19,607,443</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$10,512,821
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,666,667
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,230,000
Approved Developer Fee in Project Cost:	\$2,348,277
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	CREA
Federal Tax Credit Factor:	\$0.95990

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:	\$10,512,821
Actual Eligible Basis:	\$16,065,161
Unadjusted Threshold Basis Limit:	\$15,282,941
Total Adjusted Threshold Basis Limit:	\$17,228,207

#### **Adjustments to Basis Limit**

Local Development Impact Fees  
95% of Upper Floor Units are Elevator-Serviced

#### **Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>32.983%</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 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:** None

**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, City of Santa Rosa 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 ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ¾ mile of public elementary school	2	2	2
Within 1 mile of a pharmacy	1	1	1
<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
Adult ed/health & wellness/skill bldg classes, min. 36 hrs/yr instruction	3	3	3
After school program for school age children, minimum of 4 hours/week	2	2	2
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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.**