

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2019 Waiting List Project
October 16, 2019

College Ave Homeless Housing Project, located at 80 College Avenue in Santa Rosa, requested and is being recommended for a reservation of \$1,972,565 in annual federal tax credits to finance the new construction of 53 units of housing serving special needs tenants with rents affordable to households earning 30%-40% of area median income (AMI). The project will be developed by Danco Communities and will be located in Senate District 2 and Assembly District 2.

The project financing includes state funding from the NPLH program of HCD.

Project Number CA-19-118

Project Name College Ave Homeless Housing Project
Site Address: 80 College Avenue
Santa Rosa, CA 95401 County: Sonoma
Census Tract: 1530.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,972,565	\$0
Recommended:	\$1,972,565	\$0

Applicant Information

Applicant: Santa Rosa College Ave, LP
Contact: Chris Dart
Address: 5251 Ericson Way
Arcata, CA 95521
Phone: 707-822-9000
Email: cdart@danco-group.com

General Partner(s) / Principal Owner(s): Community Revitalization & Development Corp.
Johnson & Johnson Investments LLC

General Partner Type: Joint Venture

Parent Company(ies): Danco Communities
Community Revitalization & Development Corp.

Developer: Danco Communities

Investor/Consultant: Raymond James

Management Agent(s): Danco Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 54
 No. & % of Tax Credit Units: 53 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Utility Allowance: CUAC

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 35.09%
 % of Special Need Units: 53 units 100%
 Geographic Area: Northern Region
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 26	45%
At or Below 40% AMI: 27	50%

Unit Mix

53 SRO/Studio Units
 1 1-Bedroom Units

 54 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
26 SRO/Studio	30%	30%	\$567
27 SRO/Studio	40%	40%	\$756
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,100,000
Construction Costs	\$11,765,725
Rehabilitation Costs	\$0
Construction Contingency	\$753,572
Relocation	\$0
Architectural/Engineering	\$1,411,703
Const. Interest, Perm. Financing	\$1,090,208
Legal Fees	\$100,000
Reserves	\$1,322,708
Other Costs	\$1,659,002
Developer Fee	\$2,177,008
Commercial Costs	\$0
Total	\$22,379,926

Residential

Construction Cost Per Square Foot:	\$447
Per Unit Cost:	\$414,443
True Cash Per Unit Cost*:	\$414,443

Construction Financing

Source	Amount
Pacific Western Bank	\$14,540,000
HCD - No Place Like Home	\$3,987,932
Sonoma County CDC - PHC ¹	\$500,000
Tax Credit Equity	\$3,351,998

Permanent Financing

Source	Amount
HCD - No Place Like Home	\$3,351,998
Sonoma County CDC - PHC ¹	\$500,000
General Partner Loan	\$110,330
Solar Tax Credit Equity	\$270,000
Tax Credit Equity	\$18,147,598
TOTAL	\$22,379,926

¹Sonoma County Community Development Commission - Partnership HealthPlan of California

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,859,530
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,917,389
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,972,565
Approved Developer Fee in Project Cost:	\$2,177,008
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.92000

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:	\$16,859,530
Actual Eligible Basis:	\$17,929,530
Unadjusted Threshold Basis Limit:	\$13,736,610
Total Adjusted Threshold Basis Limit:	\$17,877,698

Adjustments to Basis Limit

100% of the Low Income Units for Special Needs Population

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- 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.
- Community gardens of at least 60 square feet per unit

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	32.010%

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 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 ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ¾ mile of public park or community center open to general public	2	2	2
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 ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	0
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
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
Enhanced Accessibility and Visitability	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.