

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report Tax-Exempt Bond Project January 15, 2020

Boyd Street Family Apartments, located at 811 Boyd Street in Santa Rosa, requested and is being recommended for a reservation of \$847,519 in annual federal tax credits and \$6,036,451 in total state tax credits to finance the new construction of 45 units of housing serving large families with rents affordable to households earning 50-60% 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.

Project Number CA-20-417

Project Name Boyd Street Family Apartments
Site Address: 811 Boyd Street
Santa Rosa, CA 95407 County: Sonoma
Census Tract: 1531.04

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$847,519	\$6,036,451
Recommended:	\$847,519	\$6,036,451

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

Applicant Information

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

General Partner(s) or Principal Owner(s): Community Revitalization & Development Corporation
Johnson & Johnson Investments LLC
General Partner Type: Joint Venture
Parent Company(ies): Community Revitalization & Development Corporation
Danco Communities
Developer: Danco Communities
Investor/Consultant: Raymond James
Management Agent: Danco Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 46
 No. / % of Low Income Units: 45 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 Utility Allowance: CUAC

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: March 31, 2020

Information

Housing Type: Large Family
 Geographic Area: Northern Region
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	6	13%
60% AMI:	39	87%

Unit Mix

4 1-Bedroom Units
30 2-Bedroom Units
12 3-Bedroom Units
46 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	50%	50%	\$1,012
3 1 Bedroom	60%	60%	\$1,215
3 2 Bedrooms	50%	50%	\$1,215
26 2 Bedrooms	60%	60%	\$1,458
2 3 Bedrooms	50%	50%	\$1,404
10 3 Bedrooms	60%	60%	\$1,685
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,500,000
Construction Costs	\$13,761,850
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$690,938
Soft Cost Contingency	\$132,257
Relocation	\$56,905
Architectural/Engineering	\$850,000
Const. Interest, Perm. Financing	\$926,656
Legal Fees	\$120,000
Reserves	\$174,378
Other Costs	\$1,555,639
Developer Fee	\$2,399,893
Commercial Costs	\$0
Total	\$22,168,516

Residential

Construction Cost Per Square Foot:	\$225
Per Unit Cost:	\$481,924
True Cash Per Unit Cost*:	\$471,364

Construction Financing

Source	Amount
Pacific Western Bank	\$13,000,000
Sonoma County - CFH Loan	\$1,500,000
City of Santa Rosa - Loan	\$200,000
Deferred Developer Fee	\$2,399,669
Solar Tax Credit Equity	\$22,140
Tax Credit Equity	\$5,046,707

Permanent Financing

Source	Amount
Pacific Western Bank	\$7,470,000
City of Santa Rosa - Loan	\$200,000
Sonoma County - CFH Loan	\$1,500,000
Deferred Developer Fee	\$485,793
Solar Tax Credit Equity	\$110,700
Tax Credit Equity	\$12,402,023
TOTAL	\$22,168,516

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,121,525
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,157,983
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$847,519
Total State Credit:	\$6,036,451
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,399,893
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.96476
State Tax Credit Factor:	\$0.70000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$20,121,525
Actual Eligible Basis:	\$20,121,525
Unadjusted Threshold Basis Limit:	\$19,859,808
Total Adjusted Threshold Basis Limit:	\$24,241,319

Adjustments to Basis Limit

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

- New construction: project shall be more energy efficient than the 2019 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 13%

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 are slightly below the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. See the Special Information / Additional Conditions section below. Staff has calculated federal tax credits based on 3.24% of the qualified basis. 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 has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The application's proposed operating expense figure is at \$3,825 per unit per year which is below the \$3,910 per unit per year figure approved by the project's investor and permanent lender under regulation section 10327(g)(1) which allows the operating expenses to be up to 15% below TCAC's minimum of \$4,600 per unit per year. At \$3,910 per unit per year the project still meets TCAC's cash flow and feasibility requirements. Accordingly, TCAC has adjusted the operating expenses up to \$3,910 per unit per year, and approved a waiver at this figure under regulation section 10327(g)(1).

The application's proposed replacement reserve is at \$245 per unit per year which is \$5 per unit per year (\$230 total annual) below the TCAC new construction project minimum of \$250 per unit per year. By the next TCAC review of this project the application must show that it meets the TCAC replacement reserve minimum.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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 reservation 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.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.