

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
April 14, 2020**

Heritage Commons Phase III, located at 195 and 197 Heritage Lane in Dixon, requested and is being recommended for a reservation of \$448,895 in annual federal tax credits and \$3,463,693 in total state tax credits to finance the new construction of 35 units of housing serving seniors and 8 units serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Neighborhood Partners, LLC and will be located in Senate District 3 and Assembly District 5.

The project will be receiving rental assistance in the form of HUD 811 PRA for 8 units.

**Project Number** CA-20-551

**Project Name** Heritage Commons Phase III  
**Site Address:** 195 and 197 Heritage Lane  
Dixon, CA 95620 County: Solano  
**Census Tract:** 2534.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$448,895	\$3,463,693
Recommended:	\$448,895	\$3,463,693

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

**Applicant Information**

**Applicant:** Heritage Commons Phase III LP  
**Contact:** Luke Watkins  
**Address:** 2745 Portage Bay East  
Davis, CA 95616  
**Phone:** (530) 400-2927  
**Email:** lukewatkins@sbcglobal.net

**General Partner(s) or Principal Owner(s):** NP Heritage Commons III LLC  
DSHC Heritage Commons III LLC  
JSCo Heritage Commons III LLC

**General Partner Type:** Joint Venture  
**Parent Company(ies):** Neighborhood Partners, LLC  
Delta Senior Housing Communities, Inc.  
John Stewart Company

**Developer:** Neighborhood Partners, LLC  
**Investor/Consultant:** Enterprise Housing Credit Investment  
**Management Agent:** John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 4  
 Total # of Units: 44  
 No. / % of Low Income Units: 43 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME / HUD 811 PRA Rental Assistance (8 units - 19%)

**Bond Information**

Issuer: California Housing Finance Agency  
 Expected Date of Issuance: May 1, 2020

**Information**

Housing Type: Seniors and Special Needs  
 Geographic Area: Northern Region  
 TCAC Project Analyst: Ruben Barcelo

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 8	19%
50% AMI: 19	44%
60% AMI: 16	37%

**Unit Mix**

44 1-Bedroom Units  
 44 Total Units

<u>Unit Type &amp; 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>
8 1 Bedroom	25%	21%	\$335
19 1 Bedroom	50%	50%	\$803
16 1 Bedroom	60%	60%	\$964
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,250

**Project Cost Summary at Application**

Land and Acquisition	\$275,000
Construction Costs	\$8,670,000
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$433,500
Soft Cost Contingency	\$224,535
Relocation	\$0
Architectural/Engineering	\$585,000
Const. Interest, Perm. Financing	\$857,000
Legal Fees	\$170,000
Reserves	\$208,762
Other Costs	\$1,694,203
Developer Fee	\$1,628,000
Commercial Costs	\$0
<b>Total</b>	<b>\$14,746,000</b>

**Residential**

Construction Cost Per Square Foot:	\$306
Per Unit Cost:	\$335,136
True Cash Per Unit Cost*:	\$314,032

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$8,000,000
HCD HOME	\$3,119,077
AHP	\$968,000
Land Donation	\$275,000
Deferred Costs	\$1,733,762
Tax Credit Equity	\$650,161

**Permanent Financing**

Source	Amount
CCRC	\$2,200,000
HCD HOME	\$3,467,814
AHP	\$968,000
Land Donation	\$275,000
Deferred Developer Fee	\$928,579
Tax Credit Equity	\$6,906,607
<b>TOTAL</b>	<b>\$14,746,000</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,854,789
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$13,854,789
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$448,895
Total State Credit:	\$3,463,693
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,628,000
Investor/Consultant:	Enterprise Housing Credit Investment
Federal Tax Credit Factor:	\$0.89429
State Tax Credit Factor:	\$0.83500

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:	\$13,854,789
Actual Eligible Basis:	\$13,854,789
Unadjusted Threshold Basis Limit:	\$14,882,208
Total Adjusted Threshold Basis Limit:	\$31,252,637

**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.

95% of Upper Floor Units are Elevator-Serviced.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 44%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 36%

**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 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**

This project involves new construction on two scattered sites in the city of Dixon.

This project will consist of 35 tax credit units serving seniors (82%) with the remaining 8 units serving special needs tenants (18%).

TCAC Regulations section 10322(h)(22) requires that rental subsidy commitment letters include detail regarding source, monthly contract rent, annual amount, term, number of units receiving assistance and expiration date. The applicant must provide a commitment letter that complies with this requirement within 180 days of the reservation date.

**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.