

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**April 14, 2020**

The Plateau Housing Project, located at 441 South Street in Fort Bragg, requested and is being recommended for a reservation of \$1,017,909 in annual federal tax credits and \$6,821,486 in total state tax credits to finance the new construction of 68 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 Danco Communities and will be located in Senate District 2 and Assembly District 2.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-20-510

**Project Name** The Plateau Housing Project  
**Site Address:** 441 South Street  
Fort Bragg, CA 95437 County: Mendocino  
**Census Tract:** 105.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,017,909	\$6,821,486
Recommended:	\$1,017,909	\$6,821,486

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

**Applicant Information**

**Applicant:** Fort Bragg South Street, 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 and Development Corp.  
Johnson & Johnson Investments, LLC  
Danco Communities

**General Partner Type:** Joint Venture

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

**Developer:** Danco Communities

**Investor/Consultant:** Raymond James

**Management Agent:** Danco Property Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 40  
 Total # of Units: 69  
 No. / % of Low Income Units: 68 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (20 units / 29%)  
 Utility Allowance: CUAC

**Bond Information**

Issuer: CMFA  
 Expected Date of Issuance: June 1, 2020

**Information**

Housing Type: Large Family  
 Geographic Area: N/A  
 TCAC Project Analyst: Carmen Doonan

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 10	15%
40% AMI: 10	15%
50% AMI: 6	9%
60% AMI: 42	62%

**Unit Mix**

35	1-Bedroom Units
9	2-Bedroom Units
25	3-Bedroom Units
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69	Total Units

<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>
9	1 Bedroom	30%	\$364
9	1 Bedroom	40%	\$486
1	1 Bedroom	50%	\$608
16	1 Bedroom	60%	\$729
1	2 Bedrooms	30%	\$438
1	2 Bedrooms	40%	\$584
2	2 Bedrooms	50%	\$730
4	2 Bedrooms	60%	\$876
3	3 Bedrooms	50%	\$842
22	3 Bedrooms	60%	\$1,011
1	2 Bedrooms	Manager's Unit	\$0
		Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,760,000
Construction Costs	\$16,798,025
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$839,901
Soft Cost Contingency	\$112,125
Relocation	\$0
Architectural/Engineering	\$700,000
Const. Interest, Perm. Financing	\$1,612,346
Legal Fees	\$120,000
Reserves	\$118,726
Other Costs	\$1,162,293
Developer Fee	\$3,163,509
Commercial Costs	\$0
<b>Total</b>	<b>\$27,386,925</b>

**Residential**

Construction Cost Per Square Foot:	\$154
Per Unit Cost:	\$396,912
True Cash Per Unit Cost*:	\$378,900

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Pacific Western Bank	\$16,195,000	Pacific Western Bank	\$4,780,000
City of Fort Bragg	\$250,000	City of Fort Bragg	\$250,000
HEAP - County of Mendocino	\$3,000,000	HEAP - CRDC	\$3,000,000
Deferred Developer Fee	\$5,069,105	Soft Debt	\$3,750,000
Solar Tax Credit Equity	\$34,680	Deferred Developer Fee	\$1,242,827
Tax Credit Equity	\$2,838,140	Solar Tax Credit Equity	\$173,400
		Tax Credit Equity	\$14,190,698
		<b>TOTAL</b>	<b>\$27,386,925</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$24,166,872
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$31,416,934
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$1,017,909
Total State Credit:	\$6,821,486
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,163,509
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.92500
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:	\$24,166,872
Actual Eligible Basis:	\$24,166,872
Unadjusted Threshold Basis Limit:	\$25,429,455
Total Adjusted Threshold Basis Limit:	\$39,374,807

### Adjustments to Basis Limit

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

- Community gardens of at least 60 square feet per unit

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: 23%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 28%

### 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 below the minimum operating expenses established in the Regulations, as allowed under regulation section 10327(g)(1). (See the "**Significant Information**" section of this report below. 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 consists of multiple tenant populations. 21 units are reserved for special needs / homeless tenants, 23 units are reserved for senior tenants, and 25 units are designated for large families.

TCAC staff is in the process of reviewing the CUAC documentation for this existing project. In addition, projects receiving funding/subsidy from HUD are required to use Utility Allowances approved by HUD. The applicant's use of the CUAC for the project is subject to approval by HUD and TCAC.

The reservation of tax credits is contingent upon verification by HUD of the contract renewal amounts within 120 days of the date of reservation.

The applicant's estimate for annual operating expenses per unit is below the \$4,700 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of \$3,995 in agreement with the permanent lender and equity investor. In addition, the project's 3-month operating reserve is less than the amount required under regulation section 10327(c)(7)(B). Under regulation section 10327(a) initial application errors of \$100,000 or less shall be deemed covered by the contingency line item. However, at the submission of the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC, including the placed-in-service submission for the issuance of the IRS 8609 forms, the applicant must fund the 3-month operating reserve at a level that meets the requirement of regulation section 10327(c)(7)(B).

**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.