

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Truckee-Donner Senior Apartments, located at 10040 Estates Drive in Truckee, requested and is being recommended for a reservation of \$597,059 in annual federal tax credits to finance the acquisition and rehabilitation of 59 units of housing serving seniors with rents affordable to households earning 30% - 60% of area median income (AMI). The project will be developed by Cascade Housing Association and is located in Senate District 1 and Assembly District 1.

Truckee-Donner Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Truckee Donner Senior Citizen Community (CA-98-006). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-20-013

Project Name Truckee-Donner Senior Apartments
Site Address: 10040 Estates Drive
Truckee, CA 96161 County: Nevada
Census Tract: 12.060

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$597,059	\$0
Recommended:	\$597,059	\$0

Applicant Information

Applicant: Truckee Senior 2019 Limited Partnership
Contact: Kristi Isham
Address: P.O. Box 182
Springfield, OR 97477
Phone: (541) 726-6181
Email: kristi.isham@cascadehousing.org

General Partner(s) / Principal Owner(s): Cascade Housing Association
General Partner Type: Nonprofit
Parent Company(ies): Cascade Housing Association
Developer: Cascade Housing Association
Investor/Consultant: WNC & Associates
Management Agent(s): Cambridge Real Estate Services

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 6
Total # of Units: 60
No. & % of Tax Credit Units: 59 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: USDA RHS 515 and 521 Rental Assistance (59 units / 100%)

Information

Set-Aside: Rural
Housing Type: Seniors
Geographic Area: N/A
TCAC Project Analyst: Sara Dixon

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 35% AMI: 6	10%
At or Below 45% AMI: 6	10%
At or Below 55% AMI (Rural): 30	50%

Unit Mix

54 1-Bedroom Units
6 2-Bedroom Units
<u>60 Total Units</u>

<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>
5 1 Bedroom	30%	30%	\$448
5 1 Bedroom	40%	40%	\$598
27 1 Bedroom	45%	50%	\$747
17 1 Bedroom	60%	60%	\$897
1 2 Bedrooms	30%	30%	\$538
1 2 Bedrooms	40%	40%	\$718
3 2 Bedrooms	50%	50%	\$897
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,799,554
Construction Costs	\$0
Rehabilitation Costs	\$3,884,585
Construction Contingency	\$538,458
Relocation	\$825,000
Architectural/Engineering	\$39,000
Const. Interest, Perm. Financing	\$353,640
Legal Fees	\$112,000
Reserves	\$639,455
Other Costs	\$152,973
Developer Fee	\$867,567
Commercial Costs	\$0
Total	\$10,212,232

Residential

Construction Cost Per Square Foot:	\$94
Per Unit Cost:	\$170,204
True Cash Per Unit Cost*:	\$170,204

Construction Financing

<u>Source</u>	<u>Amount</u>
Bonneville Multifamily Capital	\$5,350,390
Section 515 Loan Assumption	\$1,915,458
Town of Truckee Loan Assumption	\$884,096
Existing Replacement Reserves	\$404,841
Deferred Operating Reserve	\$234,614
Deferred Developer Fee	\$867,567
Tax Credit Equity	\$555,266

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bonneville Multifamily Capital	\$1,455,188
Section 515 Loan Assumption	\$1,915,458
Town of Truckee Loan Assumption	\$884,096
Existing Replacement Reserves	\$404,841
Tax Credit Equity	\$5,552,649
TOTAL	\$10,212,232

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,103,066
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,633,986
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$597,059
Approved Developer Fee (in Project Cost & Eligible Basis):	\$867,567
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.93000

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:	\$5,103,066
Actual Eligible Basis:	\$6,651,350
Unadjusted Threshold Basis Limit:	\$16,285,722
Total Adjusted Threshold Basis Limit:	\$16,285,722

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Seniors
Final:	51.195%

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, 3.24%. 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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1998-006). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-98-006) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

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, the Town of Truckee - Community Project Department, 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.

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 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 (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 2 miles of public library	2	2	2
Within 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 2 miles of a pharmacy	1	1	1
In-unit high speed internet service (Rural set-aside only)	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	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
State Credit Substitution	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.