

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report

### 2020 Second Round

October 14, 2020

Sierra Heights Phase II, located at Southeast Corner of Executive Parkway & Hillview Ridge in Oroville, requested and is being recommended for a reservation of \$1,536,000 in annual federal tax credits to finance the new construction of 47 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Willow Partners, LLC and will be located in Senate District 4 and Assembly District 3.

**Project Number** CA-20-075

**Project Name** Sierra Heights Phase II  
**Site Address:** Southeast Corner of Executive Parkway & Hillview Ridge  
Oroville, CA 95966 County: Butte  
**Census Tract:** 27.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual *</b>	<b>State/Total</b>
Requested:	\$1,536,000	\$0
Recommended:	\$1,536,000	\$0

\* Further Consolidated Appropriations Act, 2020 (FCAA) Credits

#### Applicant Information

**Applicant:** WP Sierra Heights Apartments Phase II Limited Partnership  
**Contact:** Laura Slajchert  
**Address:** 310 N Westlake Boulevard, #210  
Westlake Village, CA 91362  
**Phone:** (805) 379-8555  
**Email:** lslajchert@willowpartners.com

**General Partner(s) / Principal Owner(s):** Central Valley Coalition for Affordable Housing  
WP Sierra Heights Phase II LLC  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Willow Partners, LLC  
Central Valley Coalition for Affordable Housing  
**Developer:** Willow Partners, LLC  
**Investor/Consultant:** City Real Estate Advisors, LLC  
**Management Agent(s):** Buckingham Property Management

#### Project Information

**Construction Type:** New Construction  
**Total # Residential Buildings:** 2  
**Total # of Units:** 48  
**Total # of Tax Credit Units:** 48  
**No. & % of Low Income Units:** 47 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** N/A

**Information**

County Allocation: Butte  
Housing Type: Seniors  
TCAC Project Analyst: Jonghyun(Tommy), Shim

**55-Year Use / Affordability**

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 30% AMI:	5	10%
At or Below 45% AMI:	10	20%
At or Below 50% AMI:	19	40%
At or Below 60% AMI:	13	25%

**Unit Mix**

39 1-Bedroom Units  
9 2-Bedroom Units  


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48 Total Units

<b>Unit Type &amp; Number</b>	<b>2020 Rents Targeted % of Area Median Income</b>	<b>2020 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
2 1 Bedroom	30%	30%	\$397
10 1 Bedroom	45%	45%	\$596
19 1 Bedroom	50%	50%	\$663
7 1 Bedroom	60%	60%	\$795
3 2 Bedrooms	30%	30%	\$477
6 2 Bedrooms	60%	60%	\$955
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$499,000
Construction Costs	\$9,056,000
Rehabilitation Costs	\$0
Construction Contingency	\$578,800
Relocation	\$0
Architectural/Engineering	\$725,000
Const. Interest, Perm. Financing	\$1,086,595
Legal Fees	\$160,000
Reserves	\$266,252
Other Costs	\$2,091,926
Developer Fee	\$1,950,916
Commercial Costs	\$0
<b>Total</b>	<b>\$16,414,489</b>

**Residential**

Construction Cost Per Square Foot:	\$210
Per Unit Cost:	\$341,969
True Cash Per Unit Cost*:	\$328,895

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citi Community Capital	\$12,000,000	Citi Community Capital	\$1,450,000
Deferred Developer Fee	\$1,000,000	Deferred Developer Fee	\$627,513
Tax Credit Equity	\$3,414,489	Solar Tax Credit Equity	\$187,500
		Tax Credit Equity	\$14,149,476
		<b>TOTAL</b>	<b>\$16,414,489</b>

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

#### **Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,128,205
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,066,667
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,536,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,950,916
Investor/Consultant:	City Real Estate Advisors, LLC
Federal Tax Credit Factor:	\$0.92119

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:	\$13,128,205
Actual Eligible Basis:	\$14,863,277
Unadjusted Threshold Basis Limit:	\$13,721,892
Total Adjusted Threshold Basis Limit:	\$15,105,984

#### **Adjustments to Basis Limit**

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

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all interior floor space other than units (where no VOC adhesives or backing is also used)

Local Development Impact Fees

#### **Tie-Breaker Information**

First:	<b>Letter of Support</b>
Second:	<b>\$32,000.00</b>

**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

**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, City of Oroville, 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. 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 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 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Total Points</b>	<b>81</b>	<b>81</b>	<b>81</b>

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**