

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Acme Family Apartments, located at 1885 & 1905 Sebastopol Road in Santa Rosa, requested and is being recommended for a reservation of \$2,478,098 in annual federal tax credits to finance the new construction of 76 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 Milestone Housing Group, LLC and will be located in Senate District 2 and Assembly District 10.

Project Number CA-20-122

Project Name Acme Family Apartments
Site Address: 1885 & 1905 Sebastopol Road
Santa Rosa, CA 95407 County: Sonoma
Census Tract: 1531.040

Tax Credit Amounts	Federal/Annual *	State/Total
Requested:	\$2,478,098	\$0
Recommended:	\$2,478,098	\$0

* Further Consolidated Appropriations Act, 2020 (FCAA) Credits

Applicant Information

Applicant: Acme Family Apartments, LP
Contact: Marcus Griffin
Address: 481 N. Santa Cruz Ave., Suite 310
Los Gatos, CA 95030
Phone: 727.204.8128
Email: marcus@milestonehousing.com

General Partner(s) / Principal Owner(s): Acme Milestone GP, LLC
Pacific Housing, Inc.

General Partner Type: Joint Venture

Parent Company(ies): Milestone Housing Group, LLC
Pacific Housing, Inc.

Developer: Milestone Housing Group, LLC

Investor/Consultant: Hudson Housing Capital

Management Agent(s): FPI Management, Inc.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 5

Total # of Units: 77

Total # of Tax Credit Units: 76

No. & % of Low Income Units: 76 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: N/A

Information

County Allocation: Sonoma
 Housing Type: Large Family
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 9	10%
At or Below 40% AMI: 13	15%
At or Below 50% AMI: 31	40%
At or Below 60% AMI: 23	30%

Unit Mix

24 1-Bedroom Units
 26 2-Bedroom Units
 27 3-Bedroom Units

 77 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$639
4 1 Bedroom	40%	40%	\$852
10 1 Bedroom	50%	50%	\$1,065
7 1 Bedroom	60%	60%	\$1,278
3 2 Bedrooms	30%	30%	\$767
4 2 Bedrooms	40%	40%	\$1,023
10 2 Bedrooms	50%	50%	\$1,278
8 2 Bedrooms	60%	60%	\$1,534
3 3 Bedrooms	30%	30%	\$886
5 3 Bedrooms	40%	40%	\$1,181
11 3 Bedrooms	50%	50%	\$1,476
8 3 Bedrooms	60%	60%	\$1,772
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,500,000
Construction Costs	\$21,747,415
Rehabilitation Costs	\$0
Construction Contingency	\$1,283,754
Relocation	\$0
Architectural/Engineering	\$925,000
Const. Interest, Perm. Financing	\$1,139,090
Legal Fees	\$210,000
Reserves	\$243,897
Other Costs	\$2,907,078
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$33,156,234

Residential

Construction Cost Per Square Foot:	\$327
Per Unit Cost:	\$430,600
True Cash Per Unit Cost*:	\$422,736

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$19,875,000	Citibank, N.A.	\$10,000,000
Deferred Reserve Funding	\$243,897	Deferred Developer Fee	\$605,543
Deferred Developer Fee	\$1,649,238	Tax Credit Equity	\$22,550,691
Tax Credit Equity	\$11,388,099	TOTAL	\$33,156,234

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,232,442
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,602,175
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,484,196
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.91000

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:	\$21,232,442
Actual Eligible Basis:	\$29,157,442
Unadjusted Threshold Basis Limit:	\$29,993,992
Total Adjusted Threshold Basis Limit:	\$32,101,758

Adjustments to Basis Limit

Local Development Impact Fees

Tie-Breaker Information

First:	Letter of Support
Second:	\$32,183.09

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 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. 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

Staff noted that the preliminary architectural drawings did not identify the required number of washers and dryers required by the TCAC regulations. Adequate laundry facilities must be available on the project's premises with no fewer than eight (8) sets of washers and dryers upon completion of the project, prior to the issuance of the IRS 8609 tax forms.

The required services that are provided to the tenants must be provided on the project's premises, unless prior approval to provide the services off-site is obtained from TCAC.

The adjusted threshold basis limit was reduced by \$39,270 from the \$2,147,036 shown in the threshold basis limit table of the application's Application sheet to the \$2,107,766 figure shown in the application's Sources and Uses Budget sheet as supported by the documentation provided on Attachment 18A and the corresponding fee schedules.

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 City of Santa Rosa, has completed a site review of this project and has no position on 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.

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
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	0
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 10 hours/week	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
Total Points	81	81	81

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