

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Lava Ridge Apartments, located at 2796 Native Oak Drive in Chico, requested and is being recommended for a reservation of \$3,624,555 in annual federal tax credits to finance the new construction of 97 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 Domus Development, LLC and will be located in Senate District 4 and Assembly District 3.

Project Number CA-20-138

Project Name Lava Ridge Apartments
Site Address: 2796 Native Oak Drive
Chico, CA 95928 County: Butte
Census Tract: 16.000

Tax Credit Amounts	Federal/Annual *	State/Total
Requested:	\$3,624,555	\$0
Recommended:	\$3,624,555	\$0

* Further Consolidated Appropriations Act, 2020 (FCAA) Credits

Applicant Information

Applicant: Lava Ridge Associates, L. P.
Contact: Monique Hastings
Address: 9 Cushing, Suite 200
Irvine, CA 92618
Phone: (949) 923-7805
Email: mhastings@newportpartners.com

General Partner(s) / Principal Owner(s): Domus GP LLC
Spectrum GP LLC
General Partner Type: Joint Venture
Parent Company(ies): Domus Development, LLC
Spectrum Affordable Housing Corporation
Developer: Domus Development, LLC
Investor/Consultant: Alliant Capital
Management Agent(s): Domus Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 9
Total # of Units: 98
Total # of Tax Credit Units: 98
No. & % of Low Income Units: 97 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

County Allocation: Butte
Housing Type: Large Family
TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	10
At or Below 40% AMI:	34
At or Below 60% AMI:	53

Unit Mix

36 1-Bedroom Units
37 2-Bedroom Units
25 3-Bedroom Units
98 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%	\$397
33 1 Bedroom	40%	40%	\$530
4 2 Bedrooms	30%	30%	\$477
1 2 Bedrooms	40%	40%	\$637
31 2 Bedrooms	60%	60%	\$955
3 3 Bedrooms	30%	30%	\$551
22 3 Bedrooms	60%	60%	\$1,103
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,721,000
Construction Costs	\$23,392,439
Rehabilitation Costs	\$0
Construction Contingency	\$1,211,064
Relocation	\$0
Architectural/Engineering	\$579,421
Const. Interest, Perm. Financing	\$1,909,628
Legal Fees	\$5,000
Reserves	\$175,787
Other Costs	\$2,854,703
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$35,049,042

Residential

Construction Cost Per Square Foot:	\$187
Per Unit Cost:	\$357,643
True Cash Per Unit Cost*:	\$355,505

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Banner Bank	\$25,556,328	Banner Bank	\$3,052,140
Deferred Costs	\$174,030	Deferred Developer Fee	\$209,553
Deferred Developer Fee	\$1,689,720	Tax Credit Equity	\$31,787,349
Tax Credit Equity	\$7,628,964	TOTAL	\$35,049,042

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$31,429,104
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$40,857,835
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$3,677,205
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$0.87700

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:	\$31,429,104
Actual Eligible Basis:	\$31,429,104
Unadjusted Threshold Basis Limit:	\$32,816,208
Total Adjusted Threshold Basis Limit:	\$37,856,468

Adjustments to Basis Limit

- Local Development Impact Fees
- Highest or High Resource Opportunity Area

Tie-Breaker Information

- First: This project received a Letter of Support that **meets** the tie breaker requirement of a formal letter of support for the specific project from the Local Reviewing Agency (LRA) outlining how the project will contribute to the community’s recovery
- Second: \$36,985.26

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

Staff noted that the preliminary architectural drawings reflect that a washer/dryer is to be provided in each tenant unit. In the event the project opts to instead provide a common laundry facility, adequate laundry facilities must be available on the project premises with no fewer than one washer/dryer per 10 units upon completion of the project prior to issuance of federal and state tax forms. To the extent that tenants will be charged for the use of central laundry facilities, washers and dryers must be excluded from basis.

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 Chico, has completed a site review of this project and 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.

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, 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
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 RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.