

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Caritas Homes Phase 1, located at the southeast corner of 7th Street and Morgan Street in Santa Rosa, requested and is being recommended for a reservation of \$2,303,382 in annual federal tax credits to finance the new construction of 63 units of housing serving tenants and special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Burbank Housing Corporation and will be located in Senate District 2 and Assembly District 10.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-20-173

Project Name Caritas Homes Phase 1

Site Address: Southeast corner of 7th Street and Morgan Street
Santa Rosa, CA 95401 County: Sonoma

Census Tract: 1520.000

Tax Credit Amounts	Federal/Annual *	State/Total
Requested:	\$2,303,382	\$0
Recommended:	\$2,303,382	\$0

* Further Consolidated Appropriations Act, 2020 (FCAA) Credits

Applicant Information

Applicant: Burbank Housing Development Corporation

Contact: Mark Krug

Address: 790 Sonoma Avenue
Santa Rosa, CA 95404

Phone: 707.200.2339

Email: mkrug@burbankhousing.org

General Partner(s) / Principal Owner(s): Burbank Housing Development Corporation
Catholic Charities of the Diocese of Santa Rosa

General Partner Type: Nonprofit

Parent Company(ies): Burbank Housing Development Corporation
Catholic Charities of the Diocese of Santa Rosa

Developer: Burbank Housing Development Corporation

Investor/Consultant: California Housing Partnership Corporation

Management Agent(s): Burbank Housing Management Corporation

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 64

Total # of Tax Credit Units: 63

No. & % of Low Income Units: 63 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HUD Section 8 Project-based Vouchers (30 Units - 48%) / HOME

Information

County Allocation: Sonoma
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 35.71%
 % of Special Need Units 30 units 48%
 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 20% AMI: 30	45%
At or Below 50% AMI: 33	40%

Unit Mix

29 SRO/Studio Units
27 1-Bedroom Units
8 2-Bedroom Units
<u>64 Total Units</u>

<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>
15 SRO/Studio	20%	20%	\$398
12 1 Bedroom	20%	20%	\$426
3 2 Bedrooms	20%	20%	\$511
14 SRO/Studio	50%	50%	\$995
15 1 Bedroom	50%	50%	\$1,065
4 2 Bedrooms	50%	50%	\$1,278
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,310,805
Construction Costs	\$22,447,244
Rehabilitation Costs	\$0
Construction Contingency	\$1,253,133
Relocation	\$0
Architectural/Engineering	\$1,500,000
Const. Interest, Perm. Financing	\$1,561,264
Legal Fees	\$90,000
Reserves	\$647,171
Other Costs	\$1,197,549
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$32,207,166

Residential

Construction Cost Per Square Foot:	\$426
Per Unit Cost:	\$503,237
True Cash Per Unit Cost*:	\$486,049

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$20,241,253	Apple/Silicon Valley Housing Trust Loan	\$2,897,000
Apple/Silicon Valley Housing Trust Loan	\$2,897,000	HCD - NPLH	\$4,652,892
Sonoma County CDC - CFH	\$410,000	Sonoma County CDC - CFH	\$410,000
Sonoma County CDC - PHC	\$1,000,000	Sonoma County CDC - PHC	\$1,000,000
Sonoma County CDC - HOME	\$161,918	Sonoma County CDC - HOME	\$161,918
Deferred Costs	\$1,657,639	Deferred Developer Fee	\$1,100,000
Deferred Developer Fee	\$1,100,000	General Partner Equity	\$100
General Partner Equity	\$100	Tax Credit Equity	\$21,985,256
Tax Credit Equity	\$4,739,256	TOTAL	\$32,207,166

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,687,029
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,593,138
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,303,382
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.95448

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:	\$19,687,029
Actual Eligible Basis:	\$29,807,985
Unadjusted Threshold Basis Limit:	\$19,100,024
Total Adjusted Threshold Basis Limit:	\$27,764,708

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

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 kitchens, living rooms, and bathrooms (where no VOC adhesives or backing is used)
- 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

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First: **Letter of Support**
Second: **\$35,990.34**

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. 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's estimated per unit cost is \$503,237. The project will be a single 4-story, elevator-served, Type V-A construction building with 3 floors of wood framing over a concrete podium. The project will include rooftop photovoltaic panels to offset the common area loan and is targeted to be certified silver under the Multifamily GreenPoint Rated New Home Rating System v8.1.

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 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.

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
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Health/behavioral services provided by licensed org. or individual	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 RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.