

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Orr Creek Commons Phase II, located at 501 Brush Street in Ukiah, requested and is being recommended for a reservation of \$1,331,530 in annual federal tax credits to finance the new construction of 39 units of housing serving tenants and special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Rural Communities Housing Development Corporation and will be located in Senate District 2 and Assembly District 2.

The project financing includes state funding from the NPLH program of HCD.

Project Number CA-20-072

Project Name Orr Creek Commons Phase II

Site Address: 501 Brush Street
Ukiah, CA 95482 County: Mendocino

Census Tract: 115.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,331,530	\$0
Recommended:	\$1,331,530	\$0

Applicant Information

Applicant: Rural Communities Housing Development Corporation
Contact: Ryan LaRue
Address: 499 Leslie Street
Ukiah, CA 95482
Phone: (707) 463-1975
Email: rlarue@rchdc.org

General Partner(s) / Principal Owner(s): Rural Communities Housing Development Corporation
General Partner Type: Nonprofit
Parent Company(ies): Rural Communities Housing Development Corporation
Developer: Rural Communities Housing Development Corporation
Investor/Consultant: Community Economics, Inc.
Management Agent(s): Rural Communities Housing Development Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 5
Total # of Units: 40
No. & % of Tax Credit Units: 39 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

Set-Aside: Rural
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 36.00%
 % of Special Need Units 30 units 75%
 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: 21	50%
At or Below 50% AMI: 10	25%
At or Below 60% AMI: 8	20%

Unit Mix

29 1-Bedroom Units
10 2-Bedroom Units
1 3-BedroomUnits
<u>40 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>
9 1 Bedroom	30%	14%	\$182
11 1 Bedroom	30%	30%	\$393
5 1 Bedroom	50%	50%	\$656
4 1 Bedroom	60%	60%	\$787
1 2 Bedrooms	30%	30%	\$472
5 2 Bedrooms	50%	50%	\$787
4 2 Bedrooms	60%	60%	\$945
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,645,332
Construction Costs	\$9,225,932
Rehabilitation Costs	\$0
Construction Contingency	\$745,054
Relocation	\$0
Architectural/Engineering	\$547,200
Const. Interest, Perm. Financing	\$755,297
Legal Fees	\$85,000
Reserves	\$307,585
Other Costs	\$983,828
Developer Fee	\$1,894,955
Commercial Costs	\$0
Total	\$16,190,183

Residential

Construction Cost Per Square Foot:	\$293
Per Unit Cost:	\$404,755
True Cash Per Unit Cost*:	\$404,716

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
JP Morgan Chase	\$11,809,113	HCD NPLH	\$3,373,963
Mendocino County - HEAP	\$983,415	Mendocino County - HEAP	\$983,415
DDS & Regional Center**	\$500,000	DDS & Regional Center**	\$500,000
General Partner Equity	\$100	General Partner Equity	\$100
Tax Credit Equity	\$1,145,116	Deferred developer fee	\$1,549
		Tax Credit Equity	\$11,331,156
		TOTAL	\$16,190,183

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

**State of California Department of Developmental Services (DDS) and Redwood Coast Regional Center

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,380,597
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,794,776
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,331,530
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,894,955
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.85099

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:	\$11,380,597
Actual Eligible Basis:	\$14,527,988
Unadjusted Threshold Basis Limit:	\$11,330,971
Total Adjusted Threshold Basis Limit:	\$12,410,597

Adjustments to Basis Limit

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

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

Tie-Breaker Information

First:	Special Needs
Final:	42.610%

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

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event: 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, Community Development Commission of the County of Mendocino, 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 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 ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	0
Within ½ mile of transit station or public bus stop	3	0	3
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs project within ½ mile of facility serving tenant population	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
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
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Renewable energy providing percentage of tenants' energy loads: 80%	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
Smoke Free Residence	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.