

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 Second Round**

**October 14, 2020**

Olive Grove, located at Southeast Highway 99W and Fig Lane in Corning, requested and is being recommended for a reservation of \$959,774 in annual federal tax credits to finance the new construction of 31 units of housing serving special needs tenants with rents affordable to households earning 30-60% AMI of area median income (AMI). The project will be developed by Rural Communities Housing Development Corporation and will be located in Senate District 3 and Assembly District 4.

The project will be receiving rental assistance in the form of Capitalized Operating Subsidy Reserves (COSR) from CalHFA. The project financing includes state funding from the SNHP program of CalHFA.

**Project Number** CA-20-074

**Project Name** Olive Grove  
**Site Address:** Southeast Highway 99W and Fig Lane  
Corning, CA 96021 County: Tehama  
**Census Tract:** 11.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$959,774	\$0
Recommended:	\$959,774	\$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

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

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 4  
**Total # of Units:** 32  
**No. & % of Tax Credit Units:** 31 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** None

**Information**

Set-Aside: Rural  
Housing Type: Special Needs  
Type of Special Needs: Homeless and/or Persons with Mental Disabilities  
Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%  
% of Special Need Units: 15 units 48%  
TCAC Project Analyst: Franklin Cui

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 16	50%
At or Below 50% AMI (Rural): 4	10%
At or Below 60% AMI: 11	35%

**Unit Mix**

21 1-Bedroom Units
10 2-Bedroom Units
1 3-Bedroom Units
<u>32 Total Units</u>

<u>Unit Type &amp; 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 1 Bedroom	30%	20%	\$262
6 1 Bedroom	60%	40%	\$525
1 2 Bedrooms	30%	30%	\$472
4 2 Bedrooms	50%	44%	\$685
5 2 Bedrooms	60%	44%	\$685
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$474,190
Construction Costs	\$7,091,799
Rehabilitation Costs	\$0
Construction Contingency	\$912,599
Relocation	\$0
Architectural/Engineering	\$554,000
Const. Interest, Perm. Financing	\$733,282
Legal Fees	\$70,000
Reserves	\$234,350
Other Costs	\$859,668
Developer Fee	\$1,400,000
Commercial Costs	\$0
<b>Total</b>	<b>\$12,329,888</b>

**Residential**

Construction Cost Per Square Foot:	\$271
Per Unit Cost:	\$385,309
True Cash Per Unit Cost*:	\$385,309

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
JP Morgan Chase	\$9,149,155	HCD- NPLH (Competitive)	\$2,163,655
CalHFA- SNHP	\$877,773	HCD- NPLH (Non-Competitive)	\$500,000
AHP	\$310,000	CalHFA- SNHP	\$877,773
GP Equity	\$494	AHP	\$310,000
Tax Credit Equity	\$863,797	GP Equity	\$494
		Tax Credit Equity	\$8,477,966
		<b>TOTAL</b>	<b>\$12,329,888</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$8,203,200
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$10,664,160
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$959,774
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.88333

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:	\$8,203,200
Actual Eligible Basis:	\$11,494,091
Unadjusted Threshold Basis Limit:	\$9,203,427
Total Adjusted Threshold Basis Limit:	\$10,147,200

**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:	<b>Special Needs</b>
Final:	<b>48.538%</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**

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, the City of Corning, 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 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.

<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>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 2 miles of public library	2	2	2
Within 1 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
<b>SPECIAL NEEDS HOUSING TYPE</b>			
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
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
<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>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**