

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Pine Hill Village, located at 904 Alpha Street in Eureka, requested \$746,095 in annual federal tax credits but is being recommended for a reservation of \$744,046 in annual federal tax credits to finance the new construction of 29 units of housing serving 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 will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from HCD's NPLH program.

Project Number CA-20-076

Project Name Pine Hill Village
Site Address: 904 Alpha Street
Eureka, CA 95503 County: Humboldt
Census Tract: 4.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$746,095	\$0
Recommended:	\$744,046	\$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: 30
No. & % of Tax Credit Units: 29 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project Based Vouchers (14 units - 48%)

Information

Set-Aside: Rural
Housing Type: Special Needs
Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
% of Special Need Units: 14 48%
TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 15	50%
At or Below 50% AMI (Rural): 6	20%
At or Below 60% AMI: 8	25%

Unit Mix

9 SRO/Studio Units
16 1-Bedroom Units
5 2-Bedroom Units
<u>30 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 SRO/Studio	30%	20%	\$245
5 1 Bedroom	30%	20%	\$262
5 1 Bedroom	50%	50%	\$656
6 1 Bedroom	60%	60%	\$787
1 2 Bedrooms	30%	30%	\$472
1 2 Bedrooms	50%	50%	\$787
2 2 Bedrooms	60%	60%	\$945
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$269,000
Construction Costs	\$5,138,441
Rehabilitation Costs	\$0
Construction Contingency	\$586,022
Relocation	\$0
Architectural/Engineering	\$513,844
Const. Interest, Perm. Financing	\$592,985
Legal Fees	\$90,000
Reserves	\$170,991
Other Costs	\$390,464
Developer Fee	\$1,057,746
Commercial Costs	\$0
Total	\$8,809,494

Residential

Construction Cost Per Square Foot:	\$274
Per Unit Cost:	\$293,650
True Cash Per Unit Cost*:	\$293,650

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JPMorgan Chase Bank	\$7,280,654	HCD NPLH	\$2,454,965
General Partner Equity	\$1,000	General Partner Equity	\$1,000
Tax Credit Equity	\$649,103	Tax Credit Equity	\$6,353,529
		TOTAL	\$8,809,494

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,359,387
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$8,267,203
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$744,046
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,057,746
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.85392

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:	\$6,359,387
Actual Eligible Basis:	\$8,109,387
Unadjusted Threshold Basis Limit:	\$7,934,983
Total Adjusted Threshold Basis Limit:	\$8,404,962

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:	41.872%

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 requested developer fee exceeded the required limit. Staff reduced the developer fee, resulting in a reduction to the tax credits recommended for the project.

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, County of Humboldt, 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 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	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 2 miles of a pharmacy	1	1	1
In-unit high speed internet service (Rural set-aside only)	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
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
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
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.