

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Cherry Creek Village, located at 520 S. Cloverdale Blvd. in Cloverdale, requested and is being recommended for a reservation of \$1,456,341 in annual federal tax credits to finance the new construction of 23 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 Cloverdale Community Outreach Committee 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.

Project Number CA-20-183

Project Name Cherry Creek Village
Site Address: 520 S. Cloverdale Blvd.
Cloverdale, CA 95425 County: Sonoma
Census Tract: 1542.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,456,341	\$0
Recommended:	\$1,456,341	\$0

Applicant Information

Applicant: Cherry Creek Village, LP
Contact: William Leach
Address: 6451 Box Springs Blvd
Riverside, CA 92507
Phone: 951-538-6244
Email: william@kingdomdevelopment.net

General Partner(s) / Principal Owner(s): Kingdom Development, Inc.
Cloverdale Community Outreach Committee
General Partner Type: Nonprofit
Parent Company(ies): Kingdom Development, Inc.
Cloverdale Community Outreach Committee
Developer: Cloverdale Community Outreach Committee
Investor/Consultant: Boston Capital
Management Agent(s): AWI Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 5
Total # of Units: 24
No. & % of Tax Credit Units: 23 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-Based Contract (100% - 23 units)

Information

Set-Aside: Rural
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Jonghyun(Tommy), Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	3 10%
At or Below 40% AMI:	3 10%
At or Below 50% AMI (Rural):	12 50%
At or Below 60% AMI:	5 20%

Unit Mix

9 1-Bedroom Units
9 2-Bedroom Units
6 3-BedroomUnits
<u>24 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>
1 1 Bedroom	30%	30%	\$639
1 1 Bedroom	40%	40%	\$852
7 1 Bedroom	50%	50%	\$1,065
1 2 Bedrooms	30%	30%	\$767
1 2 Bedrooms	40%	40%	\$1,022
3 2 Bedrooms	50%	50%	\$1,278
3 2 Bedrooms	60%	52%	\$1,336
1 3 Bedrooms	30%	30%	\$886
1 3 Bedrooms	40%	40%	\$1,181
2 3 Bedrooms	50%	50%	\$1,476
2 3 Bedrooms	60%	60%	\$1,771
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,150,000
Construction Costs	\$8,290,280
Rehabilitation Costs	\$0
Construction Contingency	\$1,330,870
Relocation	\$500,000
Architectural/Engineering	\$1,000,000
Const. Interest, Perm. Financing	\$656,191
Legal Fees	\$270,000
Reserves	\$743,649
Other Costs	\$1,275,796
Developer Fee	\$1,834,072
Commercial Costs	\$0
Total	\$18,050,858

Residential

Construction Cost Per Square Foot:	\$368
Per Unit Cost:	\$752,119
True Cash Per Unit Cost*:	\$750,297

Construction Financing

Source	Amount
Citibank. N.A.	\$9,317,399
Kingdom Development Loan**	\$1,900,000
City of Cloverdale IH Funds	\$250,000
City of Cloverdale - Land Lease Note	\$2,070,000
Deferred Costs	\$3,217,445
Tax Credit Equity	\$1,296,014

Permanent Financing

Source	Amount
Citibank. N.A.	\$826,981
Kingdom Development Loan**	\$1,900,000
City of Cloverdale IH Funds	\$250,000
City of Cloverdale - Land Lease Note	\$2,070,000
Deferred Developer Fee	\$43,738
Tax Credit Equity	\$12,960,139
TOTAL	\$18,050,858

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

** Pass through grant from the City of Cloverdale to Kingdom Development

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,447,363
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,181,572
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,456,341
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,834,072
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.88991

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:	\$12,447,363
Actual Eligible Basis:	\$14,061,219
Unadjusted Threshold Basis Limit:	\$8,999,763
Total Adjusted Threshold Basis Limit:	\$12,457,814

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

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

- Community gardens of at least 60 square feet per unit
- 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)

Environmental Mitigation

Local Development Impact Fees

Tie-Breaker Information

First: **Large Family**
Final: **46.352%**

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 a per unit development cost of roughly \$752,119, The applicant noted that the per unit cost is attributed to paying prevailing wages, being in a difficult area to get construction labor, and relocation costs. In addition, the site contains a creek which adds cost to protect the environment during construction and long-term.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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 1/3 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 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
Within 1/4 mile of a public Elementary School	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
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Other Services Specialist, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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
State Credit Substitution	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.