

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 Second Round**

**November 18, 2020**

3575 Mendocino Avenue, located at 3575 Mendocino Avenue in Santa Rosa, requested and is being recommended for a reservation of \$4,007,771 in annual federal tax credits to finance the new construction of 93 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Related Development Company of California, LLC and will be located in Senate District 2 and Assembly District 2.

**Project Number** CA-20-184

**Project Name** 3575 Mendocino Avenue  
Site Address: 3575 Mendocino Avenue  
Santa Rosa, CA 95403 County: Sonoma  
Census Tract: 1521.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual *</b>	<b>State/Total</b>
Requested:	\$4,007,771	\$0
Recommended:	\$4,007,771	\$0

\* Further Consolidated Appropriations Act, 2020 (FCAA) Credits

**Applicant Information**

Applicant: BRJE Phase I Housing Partners, L.P.  
Contact: Ann Silverberg  
Address: 44 Montgomery Street, Suite 1300  
San Francisco, CA 94104  
Phone: 415-677-9000  
Email: asilverberg@related.com

General Partner(s) / Principal Owner(s): Related/BRJE Development Co., LLC  
BHDC Mendocino I, LLC

General Partner Type: Joint Venture

Parent Company(ies): The Related Companies of California, LLC  
Burbank Housing Development Corporation

Developer: Related Development Company of California, LLC

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: 94

Total # of Tax Credit Units: 94

No. & % of Low Income Units: 93 100%

Federal Set-Aside Elected: 40%/60%

**Information**

County Allocation: Sonoma  
 Housing Type: Seniors  
 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: 13	10%
At or Below 40% AMI: 16	15%
At or Below 50% AMI: 40	40%
At or Below 60% AMI: 24	25%

**Unit Mix**

90 1-Bedroom Units
4 2-Bedroom Units
<u>94 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>
12 1 Bedroom	30%	30%	\$639
1 2 Bedrooms	30%	30%	\$767
16 1 Bedroom	40%	40%	\$852
38 1 Bedroom	50%	50%	\$1,065
2 2 Bedrooms	50%	50%	\$1,278
24 1 Bedroom	60%	60%	\$1,278
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,261,270
Construction Costs	\$28,247,633
Rehabilitation Costs	\$0
Construction Contingency	\$3,028,472
Relocation	\$0
Architectural/Engineering	\$1,457,963
Const. Interest, Perm. Financing	\$3,094,970
Legal Fees	\$85,000
Reserves	\$248,280
Other Costs	\$3,285,739
Developer Fee	\$2,200,000
Commercial Costs	\$0
<b>Total</b>	<b>\$43,909,327</b>

## Residential

Construction Cost Per Square Foot:	\$503
Per Unit Cost:	\$467,121
True Cash Per Unit Cost*:	\$467,121

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
U.S. Bank	\$38,259,783	U.S. Bank	\$5,974,000
Deferred Costs	\$1,980,661	Tax Credit Equity	\$37,935,327
Tax Credit Equity	\$3,668,883	<b>TOTAL</b>	<b>\$43,909,327</b>

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

### Determination of Credit Amount(s)

Requested Eligible Basis:	\$34,254,455
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$44,530,791
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$4,007,771
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94654

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:	\$34,254,455
Actual Eligible Basis:	\$40,492,195
Unadjusted Threshold Basis Limit:	\$29,305,790
Total Adjusted Threshold Basis Limit:	\$34,254,455

### Adjustments to Basis Limit

Local Development Impact Fees  
95% of Upper Floor Units are Elevator-Serviced

### Tie-Breaker Information

First:	This project received a Letter of Support that <b>meets</b> the tie breaker requirement of a formal letter of support for the specific project from the Local Reviewing Agency (LRA) outlining how the project will contribute to the community’s
Second:	<b>\$42,635.86</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**

By placed-in-service, all lot line adjustments must be completed where only the property the Tax Credit Project covers shall be recorded on the Regulatory Agreement.

### **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, Housing Authority of 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

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

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.

<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
Negative Points		0	0
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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. 84 hrs/yr instruction	7	7	7
<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>Total Points</b>	<b>81</b>	<b>81</b>	<b>81</b>

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**