

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 Second Round

October 20, 2021

Eureka 7th & Myrtle Affordable Housing, located southwest of the intersection of 7th Street and Myrtle Avenue in Eureka, requested and is being recommended for a reservation of \$1,038,174 in annual federal tax credits to finance the new construction of 35 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Danco Communities 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 IIG program.

Project Number CA-21-070

Project Name Eureka 7th & Myrtle Affordable Housing
Site Address: Southwest of the intersection of 7th Street and Myrtle Avenue
Eureka, CA 95501 County: Humboldt
Census Tract: 0005.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,038,174	\$0
Recommended:	\$1,038,174	\$0

Applicant Information

Applicant: Danco Communities
Contact: Chris Dart
Address: 5251 Ericson Way
Arcata, CA 95521
Phone: (707) 822-9000
Email: cdart@danco-group.com

General Partner(s) / Principal Owner(s): Johnson & Johnson Investments, LLC
Community Revitalization and Development Corporation
Danco Communities
General Partner Type: Joint Venture
Parent Company(ies): Johnson & Johnson Investments, LLC
Community Revitalization and Development Corporation
Danco Communities
Developer: Danco Communities
Investor/Consultant: Red Stone Equity Partners
Management Agent(s): Danco Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 36
No. & % of Tax Credit Units: 35 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (35 units - 100%)

Information

Set-Aside: Rural
Housing Type: Seniors
Geographic Area: N/A
TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	4	11%
At or Below 40% AMI:	7	23%
At or Below 50% AMI:	23	66%

Unit Mix

2 SRO/Studio Units
27 1-Bedroom Units
7 2-Bedroom Units
<u>36 Total Units</u>

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	50%	\$610
3 1 Bedroom	30%	\$392
7 1 Bedroom	40%	\$523
17 1 Bedroom	50%	\$653
1 2 Bedrooms	30%	\$471
1 2 Bedrooms	45%	\$628
4 2 Bedrooms	50%	\$785
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$800,000
Construction Costs	\$8,506,227
Rehabilitation Costs	\$0
Construction Contingency	\$553,738
Relocation	\$0
Architectural/Engineering	\$966,354
Const. Interest, Perm. Financing	\$486,921
Legal Fees	\$120,000
Reserves	\$218,038
Other Costs	\$1,466,394
Developer Fee	\$1,783,008
Commercial Costs	\$0
Total	\$14,900,680

Residential

Construction Cost Per Square Foot:	\$324
Per Unit Cost:	\$413,908
True Cash Per Unit Cost*:	\$391,686

Construction Financing

Source	Amount
Pacific Western Bank	\$7,971,412
HCD - IIG	\$1,251,000
City of Eureka Carryback Loan	\$800,000
City of Eureka Loan	\$1,250,000
Tax Credit Equity	\$3,628,268

Permanent Financing

Source	Amount
Pacific Western Bank	\$2,816,121
HCD - IIG	\$1,251,000
City of Eureka Carryback Loan	\$800,000
City of Eureka Loan	\$1,250,000
Solar Tax Credit Equity	\$62,899
Tax Credit Equity	\$8,720,660
TOTAL	\$14,900,680

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,873,281
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,535,265
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,038,174
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,783,008
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.84000

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.

Tie-Breaker Information

First:	Seniors
Final:	46.337%

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.

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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/3 mile of transit station or public bus stop	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within 1/2 mile of daily operated senior center/facility	3	3	0
Senior project within 3/4 mile of daily operated senior center/facility	2	0	2
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
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
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	109	109	109

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.