

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2022 First Round

June 15, 2022

Acorn Valley Plaza, located at 210 East Gobbi Street in Ukiah, requested and is being recommended for a reservation of \$2,499,999 in annual federal tax credits to finance the new construction of 70 units of low-income housing serving large families with rents affordable to households earning 30%-60% 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.

Project Number CA-22-038

Project Name Acorn Valley Plaza
Site Address: 210 East Gobbi Street
Ukiah, CA 95482 County: Mendocino
Census Tract: 116.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,499,999	\$0
Recommended:	\$2,499,999	\$0

Applicant Information

Applicant: Ukiah Gobbi Street LP (to be formed)
Contact: Daniel J. Johnson
Address: 5251 Ericson Way
Arcata, CA 95521
Phone: 707-822-9000
Email: djohnson@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: Raymond James
Management Agent(s): Danco Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 71
No. & % of Tax Credit Units: 70 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Community Development Block Grant - Disaster Recovery

Information

Set-Aside: Rural
 Housing Type: Large Family
 Geographic Area: N/A
 CTCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	15	20%
At or Below 40% AMI:	13	15%
At or Below 50% AMI (Rural):	15	20%
At or Below 60% AMI:	27	35%

Unit Mix

17 SRO/Studio Units
17 1-Bedroom Units
19 2-Bedroom Units
18 3-Bedroom Units
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71 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 SRO/Studio	30%	\$380
3 SRO/Studio	40%	\$507
3 SRO/Studio	50%	\$620
7 SRO/Studio	60%	\$620
4 1 Bedroom	30%	\$407
3 1 Bedroom	40%	\$543
3 1 Bedroom	50%	\$678
7 1 Bedroom	60%	\$814
4 2 Bedrooms	30%	\$488
3 2 Bedrooms	40%	\$651
4 2 Bedrooms	50%	\$813
7 2 Bedrooms	60%	\$930
3 3 Bedrooms	30%	\$564
4 3 Bedrooms	40%	\$752
5 3 Bedrooms	50%	\$940
6 3 Bedrooms	60%	\$1,128
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,620,000
Construction Costs	\$23,366,869
Rehabilitation Costs	\$0
Construction Contingency	\$1,326,402
Relocation	\$0
Architectural/Engineering	\$942,147
Const. Interest, Perm. Financing	\$777,174
Legal Fees	\$115,000
Reserves	\$168,658
Other Costs	\$1,912,929
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$32,429,179

Residential

Construction Cost Per Square Foot:	\$403
Per Unit Cost:	\$456,749
True Cash Per Unit Cost*:	\$456,749

Construction Financing

Source	Amount
Pacific Western Bank	\$16,143,140
HCD - CDBG DR	\$6,443,278
Tax Credit Equity	\$9,842,761

Permanent Financing

Source	Amount
Pacific Western Bank	\$2,977,352
HCD - CDBG DR	\$6,443,278
City of Ukiah - Land Loan	\$1,620,000
Developer Note	\$13,031
Solar Tax Credit Equity	\$125,528
Tax Credit Equity	\$21,249,990
TOTAL	\$32,429,179

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,367,511
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,764
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,499,999
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.85000

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: **Large Family**
Final: **44.530%**

Significant Information / Additional Conditions:

The proposed project will condo off two small commercial spaces and master lease them under a separate ownership entity who will pay for all commercial costs. The applicant confirmed these costs are not included in the development budget and documentation verifying this arrangement with the ownership entity shall be included in the Readiness to Proceed package submitted within 180/194 days of credit reservation.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC 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 ½ mile of transit station or public bus stop	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 ¾ 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			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
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.