

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2022 Second Round

September 28, 2022

Alvarado Gardens, located at 13831 San Pablo Ave in San Pablo, requested and is being recommended for a reservation of \$2,322,578 in annual federal tax credits to finance the new construction of 49 units of housing serving 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 9 and Assembly District 15.

Project Number CA-22-082

Project Name Alvarado Gardens
Site Address: 13831 San Pablo Ave
San Pablo , CA 94806 County: Contra Costa
Census Tract: 3690.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,322,578	\$0
Recommended:	\$2,322,578	\$0

Applicant Information

Applicant: San Pablo Chruch Lane LP
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
San Pablo Economic Development Corporation
Danco Communities

General Partner Type: Joint Venture
Parent Company(ies): Danco Communities
Johnson & Johnson Investments, LLC
Danco Communities

Developer: Danco Communities
Investor/Consultant: Redstone Capital
Management Agent(s): Danco Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 50
No. & % of Tax Credit Units: 49 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: East Bay Region
 CTCAC Project Analyst: Nick White

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:	5	10%
At or Below 40% AMI:	10	20%
At or Below 50% AMI:	15	30%
At or Below 60% AMI:	19	38%

Unit Mix

23 1-Bedroom Units
13 2-Bedroom Units
14 3-Bedroom Units
<u>50 Total Units</u>

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	\$803
4 1 Bedroom	40%	\$1,071
7 1 Bedroom	50%	\$1,339
11 1 Bedroom	60%	\$1,607
2 2 Bedrooms	30%	\$964
3 2 Bedrooms	40%	\$1,286
4 2 Bedrooms	50%	\$1,607
4 2 Bedrooms	60%	\$1,929
2 3 Bedrooms	30%	\$1,114
3 3 Bedrooms	40%	\$1,485
4 3 Bedrooms	50%	\$1,856
4 3 Bedrooms	60%	\$2,228
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,220,000
Construction Costs	\$16,978,624
Rehabilitation Costs	\$0
Construction Contingency	\$1,844,150
Relocation	\$0
Architectural/Engineering	\$1,088,202
Const. Interest, Perm. Financing	\$954,967
Legal Fees	\$115,000
Reserves	\$231,017
Other Costs	\$1,571,709
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$28,203,669

Residential

Construction Cost Per Square Foot:	\$378
Per Unit Cost:	\$564,073
True Cash Per Unit Cost*:	\$564,073

Construction Financing

<u>Source</u>	<u>Amount</u>
Pacific Western Bank Construction Loan	\$18,564,751
City of San Pablo	\$1,000,000
Deferred Developer Fee	\$2
Tax Credit Equity	\$8,638,916

Permanent Financing

<u>Source</u>	<u>Amount</u>
Pacific Western Bank	\$6,795,995
City of San Pablo	\$1,000,000
Solar Tax Credit Equity	\$201,243
Deferred Developer Fee	\$2
Tax Credit Equity	\$20,206,429
TOTAL	\$28,203,669

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,851,095
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,806,424
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,322,578
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Redstone Capital
Federal Tax Credit Factor:	\$0.87000

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
Self Score	18.353%
Final:	18.353%

Significant Information / Additional Conditions

The current legal description is part of a larger site and the project site's parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-22-082 must be completed as part of the placed in service package.

Staff noted the hard cost contingency, as reflected in the project's Application Sources & Uses table, exceeds 5% of the project's total hard construction costs.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency

The Local Reviewing Agency, City of San Pablo, 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.

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 ¼ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within ½ mile of a public middle school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ 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 bdms	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	0
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.