

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 10, 2023**

Valhalla Townhomes, located at 911 Pacific Avenue in Crescent City, requested and is being recommended for a reservation of \$436,547 in annual federal tax credits and \$1,415,528 in total state tax credits to finance the acquisition & rehabilitation of 44 units of housing serving tenants with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by GreenShoots Communities LLC and is located in Senate District 2 and Assembly District 2.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-23-436

Project Name Valhalla Townhomes
Site Address: 911 Pacific Avenue
Crescent City, CA 95531
County: Del Norte
Census Tract: 0001.01

| Tax Credit Amounts | Federal/Annual | State/Total * |
|---------------------------|-----------------------|----------------------|
| Requested: | \$436,547 | \$1,415,528 |
| Recommended: | \$436,547 | \$1,415,528 |

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Bold Communities
Contact: Michael Miller
Address: 4915 Gambier Street
Los Angeles, CA 90032
Phone: (650) 464-1319
Email: mike@boldcommunities.org

General Partner(s) or Principal Owner(s): GreenShoots Communities LLC
Bold Communities
General Partner Type: Joint Venture
Parent Company(ies): GreenShoots Communities LLC
Bold Communities
Developer: GreenShoots Communities LLC
Bond Issuer: California Municipal Finance Authority
Investor/Consultant: RBC
Management Agent: MBS Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 8
Total # of Units: 45
No. / % of Low Income Units: 44 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt / USDA 538 / HUD Section 8 Project-based Vouchers
(25 Units - 57%)

Information

Housing Type: At-Risk
 CTCAC Project Analyst: Timothy Handy

55-Year Use / Affordability

| Aggregate Targeting | Number of Units | Percentage of Affordable Units |
|----------------------------|------------------------|---------------------------------------|
| 30% AMI: | 9 | 20% |
| 40% AMI: | 9 | 20% |
| 50% AMI: | 7 | 16% |
| 80% AMI: | 19 | 43% |

Unit Mix

45 2-Bedroom Units
 45 Total Units

| Unit Type & Number | 2022 Rents Targeted % of Area Median Income | Proposed Rent (including utilities) |
|-------------------------------|--|--|
| 9 2 Bedrooms | 30% | \$526 |
| 9 2 Bedrooms | 40% | \$702 |
| 7 2 Bedrooms | 50% | \$877 |
| 19 2 Bedrooms | 80% | \$1,232 |
| 1 2 Bedrooms | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|------------------------------------|---------------------|
| Land and Acquisition | \$6,200,000 |
| Construction Costs | \$0 |
| Rehabilitation Costs | \$3,136,050 |
| Construction Hard Cost Contingency | \$307,800 |
| Soft Cost Contingency | \$10,000 |
| Relocation | \$12,000 |
| Architectural/Engineering | \$198,000 |
| Const. Interest, Perm. Financing | \$606,177 |
| Legal Fees | \$105,000 |
| Reserves | \$314,067 |
| Other Costs | \$180,820 |
| Developer Fee | \$1,420,263 |
| Commercial Costs | \$0 |
| Total | \$12,490,177 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$77 |
| Per Unit Cost: | \$277,559 |
| True Cash Per Unit Cost*: | \$260,693 |

| Construction Financing | | Permanent Financing | |
|-------------------------------|---------------|----------------------------------|---------------------|
| <u>Source</u> | <u>Amount</u> | <u>Source</u> | <u>Amount</u> |
| Banner Bank Tax-Exempt | \$6,200,000 | Rose Community Capital: USDA 538 | \$4,625,000 |
| Seller Carryback | \$2,200,000 | Seller Carryback | \$2,200,000 |
| Tax Credit Equity | \$2,771,532 | Deferred Developer Fee | \$759,001 |
| | | Tax Credit Equity | \$4,906,176 |
| | | TOTAL | \$12,490,177 |

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

Determination of Credit Amount(s)

| | |
|--|-------------|
| Requested Eligible Basis (Rehabilitation): | \$4,818,684 |
| 130% High Cost Adjustment: | No |
| Requested Eligible Basis (Acquisition): | \$6,095,000 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | \$4,818,684 |
| Qualified Basis (Acquisition): | \$6,095,000 |
| Applicable Rate: | 4.00% |
| Maximum Annual Federal Credit, Rehabilitation: | \$192,747 |
| Maximum Annual Federal Credit, Acquisition: | \$243,800 |
| Total Maximum Annual Federal Credit: | \$436,547 |
| Total State Credit: | \$1,415,528 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$1,420,263 |
| Investor/Consultant: | RBC |
| Federal Tax Credit Factor: | \$0.84500 |
| State Tax Credit Factor: | \$0.86000 |

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, 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. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

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 reservation 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.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).