

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report

### 2023 Second Round

November 8, 2023

Harbor Point, located at 655 H Street in Crescent City, requested and is being recommended for a reservation of \$1,279,155 in annual federal tax credits to finance the new construction of 26 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 the Permanent Local Housing Allocation (PLHA) program of HCD.

**Project Number** CA-23-098

**Project Name** Harbor Point  
Site Address: 655 H Street  
Crescent City, CA 95531  
County: Del Norte  
Census Tract: 1.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,279,155	\$0
Recommended:	\$1,279,155	\$0

#### Applicant Information

Applicant: Crescent City H Street 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  
Community Revitalization and Development Corporation  
General Partner Type: Joint Venture  
Parent Company(ies): Johnson & Johnson Investments LLC  
Community Revitalization and Development Corporation  
Developer: Danco Communities  
Investor/Consultant: Boston Financial  
Management Agent(s): Danco Property Management

#### Project Information

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 27  
No. & % of Tax Credit Units: 26 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HUD Section 8 Project-based Vouchers (26 Units - 100%)

**Information**

Set-Aside: Rural  
Housing Type: Seniors  
Geographic Area: N/A  
CTCAC Project Analyst: Brett Andersen

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percent of Required Affordable Units</b>
At or Below 30% AMI:	4	15%
At or Below 40% AMI:	10	38%
At or Below 50% AMI (Rural):	12	46%

**Unit Mix**

23 1-Bedroom Units
4 2-Bedroom Units
<b>27 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2023 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
3 1 Bedroom	30%	\$464
9 1 Bedroom	40%	\$619
11 1 Bedroom	50%	\$760
1 2 Bedrooms	30%	\$557
1 2 Bedrooms	40%	\$743
1 2 Bedrooms	50%	\$928
1 2 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$160,000
Construction Costs	\$10,124,022
Rehabilitation Costs	\$0
Construction Contingency	\$618,113
Relocation	\$0
Architectural/Engineering	\$1,098,896
Const. Interest, Perm. Financing	\$1,475,153
Legal Fees	\$115,000
Reserves	\$345,522
Other Costs	\$1,722,926
Developer Fee	\$2,178,035
Commercial Costs	\$0
<b>Total</b>	<b>\$17,837,667</b>

**Residential**

Construction Cost Per Square Foot:	\$595
Per Unit Cost:	\$660,654
True Cash Per Unit Cost*:	\$654,728

**Construction Financing**

Source	Amount
Citibank	\$14,059,600
Seller Carryback Loan	\$160,000
Impact Fee Loan	\$750,000
Tax Credit Equity	\$2,868,067

**Permanent Financing**

Source	Amount
Citibank	\$738,310
Seller Carryback Loan	\$160,000
HCD - PLHA <sup>1</sup>	\$5,000,000
Impact Fee Loan	\$750,000
Solar Tax Credit Equity	\$124,669
Tax Credit Equity	\$11,064,688
<b>TOTAL</b>	<b>\$17,837,667</b>

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

<sup>1</sup>Housing and Community Development - Permanent Local Housing Allocation

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$10,932,946
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,212,830
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,279,155
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,178,035
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.86500

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:	<b>Seniors</b>
Self-Score Final:	<b>56.418%</b>
CTCAC Final:	<b>55.828%</b>

**Significant Information / Additional Conditions**

Staff noted a per unit cost of \$654,728 per unit. The applicant noted that costs increased due to a shortage of subcontractors in Crescent City, prevailing wages, off-site improvements, and increased delivery costs due to lack of on-site storage.

The cash flow in the 15 Year Pro Forma exceeds the maximums permitted by CTCAC Regulations Section 10327(g)(6). Pursuant to CTCAC Regulations 10327(g), the overage of cash flow is within the \$25,000 limit allowed by the Committee. The applicant must correct the cash flow overage in the next updated CTCAC application required by CTCAC, and all subsequent submissions to CTCAC, including the placed-in-service submission for the issuance of the IRS 8609 forms.

**Resyndication and Resyndication Transfer Event:** None.

**Local Reviewing Agency**

The Local Reviewing Agency, City of Crescent City, 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>10</b>	<b>10</b>	<b>10</b>
General Partner Experience	7	7	7
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	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	0
Within 1 mile of a pharmacy	2	2	2
<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. 60 hrs/yr instruction	5	5	5
<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>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>109</b>	<b>109</b>	<b>109</b>

**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.**