

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 First Round
June 11, 2014

Project Number CA-14-022

Project Name Yarrow Village
 Site Address: Western corner of Rohnerville Rd and Smith Lane
 Fortuna, CA 95540 County: Humboldt
 Census Tract: 10.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$539,597	\$0
Recommended:	\$539,597	\$0

Applicant Information

Applicant: Fortuna Yarrow Village LP
 Contact: Chris Dart
 Address: 5251 Ericson Way
 Arcata, CA 95521
 Phone: (707) 825-1531 Fax: (707) 822-9596
 Email: cdart@danco-group.com

General Partner(s) or Principal Owner(s): Johnson & Johnson Investments, LLC
 Community Revitalization & Development Corp.
 General Partner Type: Joint Venture
 Parent Company(ies): Danco Communities
 Community Revitalization & Development Corp.
 Developer: Danco Communities
 Investor/Consultant: Raymond James
 Management Agent(s): AWI Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 25
 No. & % of Tax Credit Units: 25 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: None
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 20 %
 45% AMI: 5 20 %
 50% AMI (Rural): 15 50 %

Information

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

Unit Mix

21 1-Bedroom Units
 4 2-Bedroom Units

 25 Total Units

Unit Type & Number	2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 1 Bedroom	30%	30%	\$323
4 1 Bedroom	45%	45%	\$485
14 1 Bedroom	50%	50%	\$539
2 2 Bedrooms	30%	30%	\$388
1 2 Bedrooms	45%	45%	\$582
1 2 Bedrooms	50%	50%	\$647

Project Financing

Estimated Total Project Cost: \$6,308,795
 Estimated Residential Project Cost: \$6,308,795

Residential

Construction Cost Per Square Foot: \$238
 Per Unit Cost: \$252,352

Construction Financing

Source	Amount
Citi Bank	\$3,515,000
HCD- IIG Grant	\$885,000
Deferred Developer Fee	\$683,189
Tax Credit Equity	\$1,225,606

Permanent Financing

Source	Amount
CCRC Permanent Loan	\$425,000
HCD- IIG Grant	\$885,000
Developer Note	\$7,525
Tax Credit Equity	\$4,991,270
TOTAL	\$6,308,795

Determination of Credit Amount(s)

Requested Eligible Basis: \$5,391,116
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$7,008,451
 Applicable Rate: 7.70%
 Total Maximum Annual Federal Credit: \$539,597
 Approved Developer Fee (in Project Cost & Eligible Basis): \$703,189
 Investor/Consultant: Raymond James
 Federal Tax Credit Factor: \$0.92500

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$5,391,116
Actual Eligible Basis:	\$5,391,116
Unadjusted Threshold Basis Limit:	\$5,001,134
Total Adjusted Threshold Basis Limit:	\$6,562,458

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Irrigated with reclaimed water, greywater, or rainwater (excluding community gardens)
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

Tie-Breaker Information

First:	Seniors
Second:	18.877%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information:

The applicant of the proposed project (25 units) and the current owner of the existing neighboring project (40 units) have an executed sharing agreement, which includes the use of the community room and all services provided by the on-site manager.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, City of Fortuna, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$539,597	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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.

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 ten 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)(6) 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.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	17	17	17
Public Funds	3	3	3
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of school grounds/facilities open to public with JUA	3	3	3
Within 1 mile of public library	2	2	2
Within ¼ mile of a full-scale grocery of at least 25,000 sf	5	5	5
Senior project within 1/2 mile of daily operated senior center	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Adult ed/health & wellness/skill bldg classes, minimum 36 hrs/yr instruction	3	3	3
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: Green Communities	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 25.0%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	148	148	148

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.