

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2015 Second Round**

**September 23, 2015**

Rancho Rustic, a scattered site project located at 1200 Rancho Drive and 190 Sierra Court in Hollister, CA, requested and is being recommended for a reservation of \$674,448 in annual federal tax credits and \$2,631,135 in total state tax credits to finance the rehabilitation of 71 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and will be located in Senate District 12 and Assembly District 30.

Rancho Rustic is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Rancho Park (CA-91-078) and Rustic Gardens (CA-93-016).

**Project Number** CA-15-145

**Project Name** Rancho Rustic

	<b>Rancho Park</b>	<b>Rustic Gardens</b>
Site Address:	1200 Rancho Drive Hollister, CA 95023	190 Sierra Court Hollister, CA 95023
Census Tract:	6069000702.000	6069000502.000
County:	San Benito	

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$674,448	\$2,631,135
Recommended:	\$674,448	\$2,631,135

**Applicant Information**

Applicant: Rancho Rustic LP  
Contact: Joanna Carman  
Address: 22645 Grand Street  
Hayward CA, 94541  
Phone: 510-247-8158 Fax: 510-582-0122  
Email: jcarman@edenhousing.org

General Partner(s) / Principal Owner(s):	Rancho Rustic, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Housing, Inc.
Developer:	Eden Housing, Inc.
Investor/Consultant:	California Housing Partnership Corporation
Management Agent(s):	Eden Housing Management

**Project Information**

Construction Type: Rehabilitation Only  
Total # Residential Buildings: 25  
Total # of Units: 73  
No. & % of Tax Credit Units: 71 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: N/A  
Affordability Breakdown by Units and % (Lowest Income Points):  
30% AMI: 25 35 %  
50% AMI (Rural): 8 10 %  
55% AMI (Rural): 29 40 %

**Information**

Set-Aside: Rural  
Housing Type: Large Family  
Geographic Area: N/A  
TCAC Project Analyst: Mayra Lozano

**Unit Mix**

12 2-Bedroom Units  
47 3-Bedroom Units  
14 4-Bedroom Units  
73 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<b>Rancho Park</b>			
4 2 Bedrooms	30%	30%	\$503
11 3 Bedrooms	30%	30%	\$581
3 4 Bedrooms	30%	30%	\$648
6 3 Bedrooms	50%	34%	\$652
1 4 Bedrooms	50%	30%	\$652
4 2 Bedrooms	55%	55%	\$922
15 3 Bedrooms	55%	55%	\$1,065
3 4 Bedrooms	55%	55%	\$1,189
5 3 Bedrooms	60%	59%	\$1,151
1 4 Bedrooms	60%	54%	\$1,174
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0
<b>Rustic Gardens</b>			
1 2 Bedrooms	30%	30%	\$503
5 3 Bedrooms	30%	30%	\$581
1 4 Bedrooms	30%	30%	\$648
1 4 Bedrooms	50%	50%	\$1,081
2 2 Bedrooms	55%	55%	\$922
3 3 Bedrooms	55%	55%	\$1,065
2 4 Bedrooms	55%	55%	\$1,187
1 2 Bedrooms	60%	60%	\$1,006
1 3 Bedrooms	60%	60%	\$1,153
1 4 Bedrooms	60%	58%	\$1,244
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$7,356,037
Construction Costs	\$0
Rehabilitation Costs	\$5,290,120
Construction Contingency	\$1,049,377
Relocation	\$0
Architectural/Engineering	\$716,400
Construction Interest, Perm Financing	\$620,196
Legal Fees, Appraisals	\$87,500
Reserves	\$209,274
Other Costs	\$425,431
Developer Fee	\$1,176,719
Commercial Costs	\$0
<b>Total</b>	<b>\$16,931,054</b>

**Project Financing**

Estimated Total Project Cost:	\$16,931,054
Estimated Residential Project Cost:	\$16,931,054

**Residential**

Construction Cost Per Square Foot:	\$57
Per Unit Cost:	\$231,932

**Construction Financing**

Source	Amount
JP Morgan Chase Bank	\$7,842,828
HCD-RHCP (Assumed Principal)*	\$2,764,273
HCD-RHCP (Assumed Interest)*	\$1,907,967
City RDA (Assumed Principal)*	\$550,000
HCD-RHCP (Assumed Principal)**	\$839,879
HCD-RHCP (Assumed Interest)**	\$557,622
City RDA (Assumed Principal)**	\$400,000
City of Hollister - Housing Fund	\$117,000
Existing Reserves	\$178,079
Costs Deferred until Perm Conversion	\$741,299
Deferred Developer Fee	\$250,000
Tax Credit Equity	\$782,107

**Permanent Financing**

Source	Amount
Bank Perm Loan	\$280,000
HCD-RHCP (Assumed Principal)*	\$2,764,273
HCD-RHCP (Assumed Interest)*	\$1,907,967
City RDA (Assumed Principal)*	\$550,000
HCD-RHCP (Assumed Principal)**	\$839,879
HCD-RHCP (Assumed Interest)**	\$557,622
City RDA (Assumed Principal)**	\$400,000
City of Hollister - Housing Fund	\$117,000
Existing Reserves	\$178,079
Net Operating Income	\$50,168
Deferred Developer Fee	\$250,000
PV Energy Credit Equity	\$90,000
Tax Credit Equity	\$8,946,066
<b>TOTAL</b>	<b>\$16,931,054</b>

\* Rancho Park funding

\*\* Rustic Gardens funding

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$8,770,451
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,770,451
Applicable Rate:	7.69%
Maximum Annual Federal Credit, Rehabilitation:	\$674,448
Total State Credit:	\$2,631,135
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,176,719
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.06512
State Tax Credit Factor:	\$0.66982

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:	\$8,770,451
Actual Eligible Basis:	\$8,976,510
Unadjusted Threshold Basis Limit:	\$22,478,256
Total Adjusted Threshold Basis Limit:	\$22,478,256

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>Large Family</b>
Second:	<b>43.656%</b>

**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 exceed 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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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:** This project is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Rancho Park (CA-91-078) and Rustic Gardens (CA-93-016).

The applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5%, with the exception of requirements that necessitate the movement of load-bearing walls, provided that the local building official grants a corresponding hardship waiver. An additional 5% of units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the movement of walls or other structural modifications.

As allowed under TCAC Regulation Section 10325(g)(1)(H), the applicant has requested and has been granted a waiver of the Large Family housing type requirement to provide dishwashers in all units, due to the planning and financial impracticality of retrofitting the units.

**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 Hollister, 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**  
**\$674,448**

**State Tax Credits/Total**  
**\$2,631,135**

**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.

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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
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>
<b>RANCHO PARK</b>			
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public middle school	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>RUSTIC GARDENS</b>			
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of a public middle school	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>REHABILITATION</b>			
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: PV generation that offsets either 50% of	3	3	3
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</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>148</b>	<b>148</b>	<b>148</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.**