

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**April 16, 2008**

**Project Number** CA-2008-816 (formerly CA-2002-925)

**Project Name** 18<sup>th</sup> & L Street Apartments  
**Address:** 1801 L Street  
Sacramento, CA 95814 County: Sacramento

**Applicant Information**

**Applicant:** 1801 L Street Associates, a California Limited Partnership  
**Contact** Mr. Sotiris Kolokotronis  
**Address:** 730 Alhambra Boulevard, Suite 222  
Sacramento, CA 95816  
**Phone:** (916) 449-8989 Fax: (916) 449-8865

**Sponsors Type:** Joint Venture

**Bond Information**

**Issuer:** Redevelopment Agency of the City of Sacramento  
**Date of Issuance:** December 2002  
**Credit Enhancement:** N/A

**Eligible Basis**

**Actual:** \$33,624,204  
**Requested:** \$33,624,204  
**Maximum Permitted:** \$35,864,571 (based on 2006 placed-in-service year figures/adjusters)

Extra Feature Adjustments:

Parking Beneath Residential Units: 7%

55-Year Use/Rent Restriction Adjustment (2006 Placed-In-Service Year Adjuster): 60%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$315,192	\$0
Recommended:	\$315,192	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**Total # of Units:** 164  
**Total # Residential Buildings:** 1

**Income/Rent Targeting**

**Federal Setaside Elected:** 20%/50%  
**% & No. of Targeted Units:** 22% - 36 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 36  
**Number of Units @ or below 60% of area median income:** 0

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 Studio	50%	\$587
20 One-Bedroom	50%	\$630
8 Two-Bedroom	50%	\$756
1 Two-Bedroom	Manager's Unit	\$0
4 Studio	Restricted *	\$1,025
4 One-Bedroom	Restricted *	\$1,425
1 Two-Bedroom	Restricted *	\$1,875
26 Studio	Market Rate	\$1,055
28 One-Bedroom	Market Rate	\$1,435
33 One-Bedroom	Market Rate	\$1,594
24 Two-Bedroom	Market Rate	\$2,075
5 Two-Bedroom Townhouse	Market Rate	\$3,090
2 Three-Bedroom Townhouse	Market Rate	\$4,120

\* Restricted at no more than 110% AMI by SHRA.

The general partners or principal owners are CNM Construction Company, Inc. and Pacific Housing, Inc.

The project developer is CNM Construction Company, Inc.

The management services will be provided by FPI Management, Inc.

The market analysis was provided by the Gregory Group.

The Local Reviewing Agency, SHRA, completed a site review of this project and support this project.

### Project Financing

Estimated Total Project Cost: \$45,319,450 Per Unit Cost: \$256,359 Construction Cost Per Sq. Foot: \$141

Est. Total Residential Cost: \$42,042,914

Est. Total Commercial Cost: \$3,276,536

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
East West Bank – Tax Exempt Bond	\$21,575,000	Citibank, N.A. – Tax Ex. Bonds	\$21,575,000
SHRA	\$4,750,000	SHRA	\$4,750,000
Sierra Health Foundation	\$2,500,000	Sierra Health Foundation	\$2,500,000
Owner Equity	\$14,057,397	Owner Advances	\$10,381,633
Deferred Developer Fee	\$1,200,000	Deferred Developer Fee	\$600,000
Investor Equity	\$1,237,053	Owner Equity	\$3,047,341
		Investor Equity	\$2,465,476
		<b>TOTAL</b>	<b>\$45,319,450</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$33,624,204
130% High Cost Adjustment:	Yes
Applicable Fraction: (based on square footage)	20.5434%
Qualified Basis:	\$8,979,839
Applicable Rate: (set at placed-in-service, 9-18-06)	3.51%
Total Maximum Annual Federal Credit:	\$315,192
Approved Developer Fee:	\$1,200,000
Tax Credit Factor: AMTAX Holdings 309,LLC	\$0.7822 (set in 2002 as CA-2002-925)

Applicant requests and staff recommends annual federal credits of \$315,192, based on a qualified basis of \$8,979,839 and a funding shortfall of \$2,465,476.

**Cost Analysis and Line Item Review**

The requested eligible basis \$33,624,204 is below TCAC's adjusted threshold basis limit of \$35,864,571 based on the basis limits and adjustments for the placed-in-service year, 2006. The basis limit includes the adjustment for extraordinary features for projects that have parking beneath the residential units and the 60% adjustment for the 55-year use/affordability restriction for projects that have 50% or less tax-credit units and are located in a DDA/QCT. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.51% of the qualified basis based on the placed-in-service date of September 18, 2006. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** This is a reapplication of CA-2002-925 for an increase in annual federal tax credits from \$233,541 to \$315,192. The project placed-in-service on September 18, 2006. The owner/applicant has submitted its final documentation for the issuance of the IRS 8609 forms as part of this reapplication.

According to the project's tax professional, the cost of the parking garage was excluded from eligible basis. A parking fee charge is not required as part of occupancy/rent; it is optional.

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

Federal/Annual	State/Total
<b>\$315,192</b>	<b>\$0</b>

**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.

According to the project's tax professional, 52.83% of the project's aggregate basis was financed with tax-exempt bond proceeds. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

**Additional Conditions:** The applicant/owner is required to provide the tenants with after-school programs and educational classes such as computer training, free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

**Project Analyst:** Jack Waegell