

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 11, 2012

Project Number CA-12-850

Project Name Township Nine Affordable Housing
 Site Address: North 7th Street
 Sacramento, CA 95811 County: Sacramento
 Census Tract: 53.0

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,471,419	\$0
Recommended:	\$1,471,419	\$0

Applicant Information

Applicant: T9 Affordable Housing Associates LLC
 Contact: Michael Johnson
 Address: 1320 Fillmore Street
 San Francisco, CA 94115
 Phone: 415-748-2300 Fax: 510-549-9322
 Email: mjohanson@urbancorellc.com

General partner(s) or principal owner(s): UrbanCore-Integral LLC
 JSCO T9 LLC
 General Partner Type: For Profit
 Developer: T9 Affordable Housing Associates LLC
 Investor/Consultant: RBC Capital Markets
 Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 180
 No. & % of Tax Credit Units: 178 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 3
 Number of Units @ or below 50% of area median income: 33
 Number of Units @ or below 60% of area median income: 142

Bond Information

Issuer: Housing Authority of the City of Sacramento
 Expected Date of Issuance: October 2012
 Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Gina Ferguson

Unit Mix

90 1-Bedroom Units
 90 2-Bedroom Units

 180 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$428
16 1 Bedroom	50%	50%	\$713
72 1 Bedroom	60%	59%	\$836
1 2 Bedrooms	30%	30%	\$513
17 2 Bedrooms	50%	50%	\$856
70 2 Bedrooms	60%	59%	\$1,005
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$909

Project Financing

Estimated Total Project Cost: \$39,126,049
 Estimated Residential Project Cost: \$37,749,113
 Estimated Commercial Project Cost \$1,376,936

Residential

 Construction Cost Per Square Foot: \$102
 Per Unit Cost: \$209,717

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital - Tax-Exempt Bonds	\$19,000,000	Citi Community Capital	\$10,965,000
Sacramento Housing & Redevelopment Agency	\$4,800,000	SHRA	\$4,800,000
SHRA loan accrued interest	\$288,000	SHRA loan accrued interest	\$288,000
City of Sacramento	\$6,200,000	City of Sacramento	\$6,200,000
Seller loan	\$1,000,000	Seller loan	\$1,000,000
Deferred Developer Fee	\$2,300,000	Deferred Developer Fee	\$717,433
Tax Credit Equity	\$4,240,506	Tax Credit Equity	\$15,155,616
		TOTAL	\$39,126,049

Determination of Credit Amount(s)

Requested Eligible Basis:	\$35,373,356
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$45,985,363
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$1,471,419
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$1.03000

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:	\$35,373,356
Actual Eligible Basis:	\$35,373,356
Unadjusted Threshold Basis Limit:	\$35,555,760
Total Adjusted Threshold Basis Limit:	\$48,711,391

Adjustments to Basis Limit:

Parking Beneath Residential Units

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 18%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 2%

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 are below the minimum operating expenses established in the Regulations by a minimal amount; the project pro forma shows a positive cash flow from year one. Refer to Special Issues section below. Staff has calculated federal tax credits based on 3.20% of the qualified basis. 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:

Staff noted that the pro forma annual operating expenses were less than the minimum operating expenses established in the Regulations by a minimal amount. The project owner must show that this requirement is met when submitting a placed-in-service package prior to the issuance of 8609 tax forms.

Local Reviewing Agency:

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, 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
\$1,471,419	\$0

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.

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 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 reservation 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.

Additional Conditions: None