

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2009 Single Round

September 10, 2009

Project Number CA-2009-073

Project Name The Varena Senior Apartments

Site Address: 2351 Wyda Way
Sacramento, CA 95825

County: Sacramento

Census Tract: 55.05

Applicant Information

Applicant: Varena Sacramento L.P.

Contact: Robert Lawler

Address: 1801 I Street, Suite 200
Sacramento, CA 95811

Phone: (916) 446-7603

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Email: ral@antonllc.com

General Partner Type: Joint Venture

Information

Set-Aside: N/A

Housing Type: Seniors

Geographic Area: Capital/Northern Region

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,494,935	\$0
Recommended:	\$1,494,935	\$0

Project Information

Construction Type: New Construction

Federal Subsidy: HOME

Total # of Units: 152

Total # Residential Buildings: 12

Federal Set-Aside Elected: 20%/50%

% & No. of Tax Credit Units: 100% - 150 units

Eligible Basis

Requested: \$16,486,739

Actual: \$16,486,739

Maximum Permitted: \$22,614,560

Adjustments to Threshold Basis Limit:

None

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	20	6	6
<input checked="" type="checkbox"/> Public Funds	20	14	14
<i>Owner / Management Characteristics</i> Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<i>Housing Needs</i> Maximum 10 points	10	10	10
<i>Site Amenities</i> Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within 1/3 mile of a bus stop with service every 30 minutes during rush hours	5	5	5
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of convenience market where staples are sold	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<input checked="" type="checkbox"/> Bona fide Service Coordinator/Social Worker	5	5	5
<i>Sustainable Building Methods</i> Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<i>Lowest Income</i> Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum 20 points	20	20	20
<i>State Credit Substitution</i> Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

First: Housing Type **Senior**
Second: Calculated Ratio per Regulation 10325(c)(10) **53.605%**

Unit Type & Number	2009 Rents % of Area Median Income (rounded)	Proposed Rent (including utilities)
12 One-bedroom Units	30%	\$409
24 One-bedroom Units	45%	\$614
84 One-bedroom Units	50%	\$682
3 Two-bedroom Units	30%	\$491
6 Two-bedroom Units	45%	\$736
21 Two-bedroom Units	50%	\$818
2 Two-bedroom Units	Managers' Units	\$751

The general partners or principal owners are Anton Varena, LLC and Pacific Housing, Inc.

The project developer is St. Anton Capital, LLC.

The management agent is St. Anton Management, Inc.

The market analyst is Vogt Williams & Bowen, LLC.

The Local Reviewing Agency, the Sacramento Housing and Redevelopment Agency, has completed a site review of this project and supports this project.

Project Financing

Estimated Total Project Cost: \$20,249,703 Per Unit Cost: \$133,222 Construction Cost Per Sq. Foot: \$109

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$5,680,000	US Bank	\$5,680,000
US Bank bridge loan	\$6,050,000	Sacramento Housing and Redevelopment Agency (SHRA)	\$3,000,000
Sacramento Housing and Redevelopment Agency (SHRA)	\$3,000,000	SHRA Impact Fee Waivers	\$228,677
SHRA Impact Fee Waivers	\$228,677	Net operating income	\$363,191
Net operating income	\$363,191	Deferred Developer Fee Note	\$513,290
Investor Equity	\$3,622,835	Investor Equity	\$10,464,545
		TOTAL	\$20,249,703

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,486,739
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (23%)	\$4,822,372
Qualified Basis:	\$16,610,389
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,494,935
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor:	Hudson Housing Capital LLC
Federal Tax Credit Factor:	\$0.70

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 9.00% of the qualified basis. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: Applicant requested and was granted a waiver of Section 10325(g)(2)(D) requiring no more than 20% of the units be larger than one bedroom. The proposed project includes 32 two-bedroom units, one of which is a manager's unit.

Applicant requested and was granted a waiver of Section 10325(g)(2)(I) requiring one washer/dryer per 15 units. The proposed project includes 10 washers and 10 dryers.

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.

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
\$1,494,935	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Gina Ferguson