

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 Second Round
October 10, 2012

Project Number CA-12-862

Project Name Taylor Terrace Apartments
Site Address: 4050 and 4058 Taylor Street
Sacramento, CA 95838 County: Sacramento
Census Tract: 67.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$492,751	\$775,187
Recommended:	\$492,751	\$775,187

Applicant Information

Applicant: LINC-Taylor Terrace Apartments Housing Investors, LP
Contact: Suny Lay Chang
Address: 110 Pine Avenue, Suite 500
Long Beach, CA 90802
Phone: 562-684-1108 Fax: 562-684-1137
Email: schang@linchousing.org

General partner(s) or principal owner(s): LINC-Taylor Terrace Apartments, LLC
General Partner Type: Nonprofit
Developer: LINC Housing Corporation
Investor/Consultant: Raymond James Tax Credit Funds
Management Agent: U.S. Residential Group

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 15
Total # of Units: 168
No. & % of Tax Credit Units: 166 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 17 10 %
35% AMI: 53 30 %
50% AMI: 17 10 %
Affordability Breakdown by % (Basis Limit Increase):
Number of Units @ or below 35% of area median income: 70
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 79

Bond Information

Issuer: Housing Authority of the City of Sacramento
 Expected Date of Issuance: December 31, 2012
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

64 1-Bedroom Units
 36 2-Bedroom Units
68 3-Bedroom Units
 168 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>
34 1 Bedroom	35%	34%	\$484
30 1 Bedroom	60%	49%	\$696
18 2 Bedrooms	60%	47%	\$813
17 2 Bedrooms	50%	47%	\$813
17 3 Bedrooms	30%	30%	\$589
19 3 Bedrooms	35%	30%	\$589
31 3 Bedrooms	60%	48%	\$942
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$739

Project Financing

Estimated Total Project Cost:	\$16,935,697
Estimated Residential Project Cost:	\$16,935,697

Residential

Construction Cost Per Square Foot:	\$26
Per Unit Cost:	\$100,808

Construction Financing

Source	Amount
US Bank- Series A	\$3,830,000
US Bank- Series B	\$4,900,000
City of Sacramento - Assumed Loan	\$228,321
City of Sacramento - Assumed Loan	\$603,926
HCD - RHCP Assumed Loan	\$4,801,414
Accrued Interest on HCD & City Loans	\$158,347
Existing Reserves	\$243,322
Developer Equity	\$136,000
Deferred Costs	\$1,523,128
Tax Credit Equity	\$511,239

Permanent Financing

Source	Amount
U.S. Bank - Tax-Exempt Loan	\$3,830,000
City of Sacramento - Assumed Loan	\$228,321
City of Sacramento - Assumed Loan	\$603,926
HCD - RHCP Assumed Loan	\$4,801,414
Refunds and Accrued Interest	\$201,997
SMUD Utility Incentive	\$184,800
Existing Reserves	\$383,847
Income from Operations	\$262,000
FHLB - AHP	\$730,000
Developer Equity	\$136,000
Deferred Developer Fee	\$111,000
Tax Credit Equity	\$5,462,392
TOTAL	\$16,935,697

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,968,477
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$9,430,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,968,477
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$9,430,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$190,991
Maximum Annual Federal Credit, Acquisition:	\$301,760
Total Maximum Annual Federal Credit:	\$492,751
Total State Credit:	\$775,187
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,008,497
Investor/Consultant:	Raymond James Tax Credit Funds
Federal Tax Credit Factor:	\$1.00000
State Tax Credit Factor:	\$0.69000

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:	\$15,398,477
Actual Eligible Basis:	\$15,398,477
Unadjusted Threshold Basis Limit:	\$38,036,736
Total Adjusted Threshold Basis Limit:	\$73,791,268

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 84%

Tie-Breaker Information

Final: N/A

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 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: This project is the re-syndication of an existing tax credit project, CA-93-106.

The project has received a waiver of the minimum construction standard for the landscaping as supported by the Capital Needs Assessment.

The preliminary drawings did not show the minimum number of washers and dryers required under regulation section 10325(g)(1)(G). By project completion, the project must demonstrate that the required number of washer and dryers are available to the tenants in the project's laundry rooms.

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, the Housing Authority of the City of Sacramento, 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
\$492,751	\$775,187

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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
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	14	14
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	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Large Family proj. w/i ¼ mile of elementary public school project children n	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
Lowest Income	52	42.5	42.5
Basic Targeting	50	42.5	42.5
Readiness to Proceed	20	20	20
Total Points	126	115.5	115.5

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.