

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015

Summit at Fair Oaks Apartments, located at 4440 San Juan Avenue in Fair Oaks, CA, requested and is being recommended for a reservation of \$406,902 in annual federal tax credits to finance the acquisition and rehabilitation of 69 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Preservation Partners Development III, LP and will be located in Senate District 4 and Assembly District 8.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-15-894

Project Name Summit at Fair Oaks Apartments
 Site Address: 4440 San Juan Avenue
 Fair Oaks, CA 95628 County: Sacramento
 Census Tract: 80.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$406,902	\$0
Recommended:	\$406,902	\$0

Applicant Information

Applicant: Sac4 Preservation Limited Partnership
 Contact: William Szymczak
 Address: 21515 Hawthorne Blvd., Suite 390
 Torrance, CA 90503
 Phone: (310) 802-6671 Fax: (310) 802-6680
 Email: bill@preservationpartners.org

General Partner(s) or Principal Owner(s): Sac4 Preservation Partners, LLC
 Sac4 Cornucopia, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Preservation Partners Development/William Szymczak
 Cornucopia Services
 Developer: Preservation Partners Development
 Investor/Consultant: City Real Estate Advisors, Inc.
 Management Agent: Preservation Partners Management Group Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 9
 Total # of Units: 70
 No. & % of Tax Credit Units: 69 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Contract (70 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 21
 Number of Units @ or below 60% of area median income: 48

Bond Information

Issuer: CalHFA
 Expected Date of Issuance: November 1, 2015
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

31 1-Bedroom Units
 30 2-Bedroom Units
9 3-Bedroom Units
 70 Total Units

<u>Unit Type & 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>
22 1 Bedroom	60%	60%	\$804
20 2 Bedrooms	60%	60%	\$966
6 3 Bedrooms	60%	60%	\$1,116
9 1 Bedroom	50%	50%	\$670
9 2 Bedrooms	50%	50%	\$805
3 3 Bedrooms	50%	50%	\$930
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,210

Project Cost Summary at Application

Land and Acquisition	\$7,517,544
Construction Costs	\$0
Rehabilitation Costs	\$2,901,063
Construction Contingency	\$301,195
Relocation	\$451,050
Architectural/Engineering	\$120,000
Construction Interest, Perm Financing	\$598,886
Legal Fees, Appraisals	\$167,500
Reserves	\$202,976
Other Costs	\$254,359
Developer Fee	\$1,608,458
Commercial Costs	\$0
Total	\$14,123,031

Project Financing

Estimated Total Project Cost:	\$14,123,031
Estimated Residential Project Cost:	\$14,123,031

Residential

Construction Cost Per Square Foot:	\$51
Per Unit Cost:	\$201,758

Construction Financing

Source	Amount
Citi Community Capital - TE Bonds	\$10,000,000
Citi Community Capital - Taxable	\$1,800,000
Deferred Developer Fee	\$1,608,458
Tax Credit Equity	\$511,597

Permanent Financing

Source	Amount
Citi Community Capital	\$8,982,000
Net Operating Income	\$330,000
Deferred Developer Fee	\$538,601
Tax Credit Equity	\$4,272,430
TOTAL	\$14,123,031

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,806,073
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$7,525,439
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,806,073
Qualified Basis (Acquisition):	\$7,525,439
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$158,563
Maximum Annual Federal Credit, Acquisition:	\$248,339
Total Maximum Annual Federal Credit:	\$406,902
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,608,458
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$1.04999

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:	\$12,331,512
Actual Eligible Basis:	\$12,331,512
Unadjusted Threshold Basis Limit:	\$16,186,329
Total Adjusted Threshold Basis Limit:	\$21,042,228

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: 30%

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 meet/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 3.30% 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

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

Local Reviewing Agency:

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, has completed a site review of this project and took no position of 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
\$406,902	\$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:

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project will implement the following sustainable building management practices:
 - (i) Development of a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Certify building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and (iii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).