CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 21, 2018

Southwind Court Apartments, located at 7371 Power Inn Road in Sacramento, requested and is being recommended for a reservation of $652,664 in annual federal tax credits to finance the acquisition and rehabilitation of 87 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by LIH Southwind Court, LLC and is located in Senate District 6 and Assembly District 9.

Southwind Court Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Southwind Apartments (CA-2000-839). See Resyndication and Resyndication Transfer Event below for additional information.

Project Number CA-18-724

Project Name Southwind Court Apartments
Site Address: 7371 Power Inn Road
Sacramento, CA 95828 County: Sacramento
Census Tract: 51.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$652,664	$0
Recommended:	$652,664	$0

Applicant Information

Applicant:	LIH Southwind Court, LP
Contact:	Jacob Levy
Address:	201 Wilshire Blvd, 2nd floor Santa Monica, CA 90401
Phone:	(310) 883-7900
Email:	jacob@levyaffiliated.com

General Partner(s) or Principal Owner(s):	LIH Southwind Court, LLC (proposed and to be forme Central Valley Coalition for Affordable Housing
General Partner Type:	Joint Venture
Parent Company(ies):	Levy Affiliated Central Valley Coalition for Affordable Housing
Developer:	LIH Southwind Court, LLC
Investor/Consultant:	WNC
Management Agent:	Platinum Realty Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	18
Total # of Units:	88
No. / % of Low Income Units:	87 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME

Bond Information

Issuer:	SHRA
Expected Date of Issuance:	April 30, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units	Existing Regulatory Agreement Unit Breakdown (CA-2000-839)
50% AMI:	19	22%	17
60% AMI:	68	78%	51

The project shall maintain the rents and income targeting levels in the existing regulatory agreement(s) for the duration of the new regulatory agreement(s).

Unit Mix

12	1-Bedroom Units
72	2-Bedroom Units
4	3-Bedroom Units
88	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	1 Bedroom	60%	60%	$835
57	2 Bedrooms	60%	60%	$1,002
3	3 Bedrooms	60%	60%	$1,158
3	1 Bedroom	50%	50%	$696
15	2 Bedrooms	50%	50%	$835
1	3 Bedrooms	50%	50%	$965
1	1 Bedroom	Manager's Unit	Manager's Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $17,050,440

Project Cost Summary at Application	
Land and Acquisition	$5,200,000
Construction Costs	$0
Rehabilitation Costs	$7,761,545
Construction Contingency	$776,154
Relocation	$280,000
Architectural/Engineering	$100,000
Const. Interest, Perm. Financing	$1,020,762
Legal Fees, Appraisals	$100,000
Reserves	$200,620
Other Costs	$316,488
Developer Fee	$2,162,514
Commercial Costs	$0
Total	**$17,918,083**

Residential	
Construction Cost Per Square Foot:	$107
Per Unit Cost:	$203,615
True Cash Per Unit Cost*:	$192,317

Construction Financing

Source	Amount
Tax-exempt bond loan	$10,000,000
SHRA Loan	$3,600,000
Cash flow from operations	$442,043
Deferred developer fee	$2,162,514
Tax credit equity	$1,713,526

Permanent Financing

Source	Amount
Tax-exempt bond loan	$6,200,000
SHRA Loan	$4,000,000
Cash flow from operations	$442,043
Deferred developer fee	$994,149
Tax Credit Equity	$6,281,891
TOTAL	**$17,918,083**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,266,276
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$5,313,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,646,159
Qualified Basis (Acquisition):	$5,313,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$478,929
Maximum Annual Federal Credit, Acquisition:	$173,735
Total Maximum Annual Federal Credit:	$652,664
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,162,514
Investor/Consultant:	WNC
Federal Tax Credit Factor:	$0.96250

Per Regulation Section 10327(c)(6), 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:	$16,579,276
Actual Eligible Basis:	$16,579,276
Unadjusted Threshold Basis Limit:	$26,956,248
Total Adjusted Threshold Basis Limit:	$32,617,060

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 21%

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 3.27% 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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2000-839). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The existing 88 unit project consists of 68 low-income units, 4 manager's unit, and 16 market rate units. The existing regulatory agreement income targeting for the 68 low-income units are 17 units at or below 50% AMI and 51 units at or below 60% AMI.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). The 68 existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any of the 68 household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2000-839) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered"). All other households must be qualified under the new reservation. The applicant should consult TCAC compliance staff with questions about the qualification.

The project is a resyndication subject to the hold harmless rent limits. The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on the year in which the existing TCAC projects were originally placed-in-service: Year 2001. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for: 17 units at or below 50% AMI, provided that such hold harmless rents do not exceed the current tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

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

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

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.

CDLAC Additional Conditions: None.