

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2018 Second Round
September 19, 2018

Shasta Hotel, located at 1017 10th Street in Sacramento, requested and is being recommended for a reservation of \$1,711,552 in annual federal tax credits to finance the acquisition and rehabilitation of 78 units of housing serving special needs tenants with rents affordable to households earning 30-45% of area median income (AMI). The project will be developed by Shasta Hotel Housing Associates, LP and is located in Senate District 6 and Assembly District 9.

Shasta Hotel is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Shasta Hotel (CA-92-194). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD Shelter Plus Care. The project financing includes state funding from the CHRP-R program of HCD.

Project Number CA-18-073

Project Name Shasta Hotel

Site Address: 1017 10th Street
Sacramento, CA 95814 County: Sacramento

Census Tract: 11.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,711,552	\$0
Recommended:	\$1,711,552	\$0

Applicant Information

Applicant: Shasta Hotel Housing Associates, L.P.
Contact: Margaret Miller
Address: 1388 Sutter Street 11th Floor
San Francisco, CA 94109
Phone: 415-345-4400
Email: mmiller@jsco.net

General Partner(s) / Principal Owner(s): JSCO Shasta Hotel LLC
Shasta Hotel Housing Associates, LLC

General Partner Type: Joint Venture

Parent Company(ies): John Stewart Company
Shasta Hotel Corporation

Developer: John Stewart Company

Investor/Consultant: Enterprise Community

Management Agent(s): The John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 79
 No. & % of Tax Credit Units: 78 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (56 units - 72%)
 HUD Shelter Plus Care (22 units - 28%)

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless and persons with physical, mental, development disabilities
 Average Targeted Affordability of Special Needs Project Units: 38.33%
 % of Special Need Units: 78 units: 100%
 Geographic Area: Capital Region
 TCAC Project Analyst: Lucy Vang

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 8	10%
At or Below 35% AMI: 27	30%
At or Below 40% AMI: 26	30%
At or Below 45% AMI: 17	20%

Unit Mix

79 SRO/Studio Units
 79 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 SRO/Studio	30%	28%	\$390
12 SRO/Studio	35%	32%	\$455
26 SRO/Studio	40%	37%	\$520
15 SRO/Studio	35%	32%	\$455
15 SRO/Studio	45%	37%	\$520
2 SRO/Studio	45%	39%	\$552
1 SRO/Studio	Manager's Unit	Manager's Unit	\$625

TCAC-confirmed Projected Lifetime Rent Benefit: \$35,355,540

Project Cost Summary at Application

Land and Acquisition	\$4,009,652
Construction Costs	\$0
Rehabilitation Costs	\$9,642,739
Construction Contingency	\$1,446,411
Relocation	\$412,764
Architectural/Engineering	\$478,550
Const. Interest, Perm. Financing	\$940,740
Legal Fees, Appraisals	\$147,500
Reserves	\$5,030,060
Other Costs	\$847,523
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$24,355,939

Residential

Construction Cost Per Square Foot:	\$331
Per Unit Cost:	\$308,303
True Cash Per Unit Cost*:	\$301,341

Construction Financing

Source	Amount
US Bank	\$7,120,000
SHRA	\$4,200,000
SHRA - Seller Carryback	\$550,000
HCD - CHRP-R	\$3,453,850
AHP	\$1,000,000
Deferred Costs	\$5,612,137
Tax Credit Equity	\$2,419,952

Permanent Financing

Source	Amount
SHRA	\$4,200,000
SHRA - Seller Carryback	\$550,000
HCD - CHRP-R	\$3,453,850
AHP	\$1,000,000
General Partner Equity	\$100
Tax Credit Equity	\$15,151,989
TOTAL	\$24,355,939

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$14,628,649
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$0
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$19,017,244
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$0
Total Maximum Annual Federal Credit:	\$1,711,552
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Enterprise Community
Federal Tax Credit Factor:	\$0.88528

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$14,628,649
Actual Eligible Basis:	\$14,628,649
Unadjusted Threshold Basis Limit:	\$15,540,722
Total Adjusted Threshold Basis Limit:	\$20,824,566

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
- 100% of the Low Income Units for Special Needs Population
- One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:
 - Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	48.611%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.25%. 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

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

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-92-194). 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 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). 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 household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-92-194) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

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).

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

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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. 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 fifteen 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)(5) 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.

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	15	15
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Revitalization Area Project	2	2	2
Total Points	113	113	113

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.