CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Imperial Tower, located at 331 J Street in Sacramento, requested and is being recommended for a reservation of $1,998,037 in annual federal tax credits to finance the acquisition and rehabilitation of 185 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Standard Property Company, Inc. and is located in Senate District 6 and Assembly District 7.

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

Project Number CA-18-622

Project Name Imperial Tower
Site Address: 331 J Street
Sacramento, CA 95814 County: Sacramento
Census Tract: 7.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,998,037	$0
Recommended:	$1,998,037	$0

Applicant Information
Applicant: Vallejo Imperial Venture LP
Contact: Brian Yang
Address: 1901 Avenue of the Stars, Suite 395
Los Angeles, CA 90067
Phone: (310) 553-5711
Email: byang@standard-companies.com

General Partner(s) or Principal Owner(s): Vallejo Imperial Manager LP
Housing On Merit VII LLC
General Partner Type: Joint Venture
Parent Company(ies): Standard Property Company, Inc.
Housing On Merit
Developer: Standard Property Company, Inc.
Investor/Consultant: Candeur Group
Management Agent: AMC-CA, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	187
No. / % of Low Income Units:	185 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (187 units - 100%)

Bond Information

Issuer:	Sacramento Housing & Redevelopment Agency
Expected Date of Issuance:	October 31, 2018

Information

Housing Type:	Seniors
Geographic Area:	Capital Region
TCAC Project Analyst:	Lucy Vang

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	53	29%
At or Below 60% AMI:	132	71%

Unit Mix

106	SRO/Studio Units
81	1-Bedroom Units
187	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
29	SRO/Studio	50%	50%	$701
77	SRO/Studio	60%	60%	$841
11	1 Bedroom	50%	50%	$751
22	1 Bedroom	60%	60%	$901
13	1 Bedroom	50%	50%	$751
29	1 Bedroom	60%	60%	$901
4	1 Bedroom	60%	60%	$901
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$2,048
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$2,105

TCAC-confirmed Projected Lifetime Rent Benefit: $120,740,400

Project Cost Summary at Application

Land and Acquisition	$44,109,536
Construction Costs	$0
Rehabilitation Costs	$6,886,651
Construction Contingency	$695,543
Relocation	$0
Architectural/Engineering	$498,399
Const. Interest, Perm. Financing	$878,912
Legal Fees, Appraisals	$217,500
Reserves	$374,000
Other Costs	$788,211
Developer Fee	$7,597,305
Commercial Costs	$2,390,464
Total	**$64,436,520**

Residential

Construction Cost Per Square Foot:	$45
Per Unit Cost:	$331,797
True Cash Per Unit Cost*:	$331,797

Construction Financing

Source	Amount
FHA Loan - Walker & Dunlop	$4,802,700
Citigroup Global Markets, Inc.**	$35,000,000
Tax Credit Equity	$17,782,621

Permanent Financing

Source	Amount
FHA Loan - Walker & Dunlop	$39,802,700
Developer Equity	$6,851,199
Tax Credit Equity	$17,782,621
TOTAL	**$64,436,520**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**Fully collateralized by FHA Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,541,579
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$48,704,423
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,404,053
Qualified Basis (Acquisition):	$48,704,423
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$405,402
Maximum Annual Federal Credit, Acquisition:	$1,592,635
Total Maximum Annual Federal Credit:	$1,998,037
Approved Developer Fee (in Project Cost & Eligible Basis):	$7,597,305
Investor/Consultant:	Candeur Group
Federal Tax Credit Factor:	$0.89000

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, 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. 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:	$58,246,002
Actual Eligible Basis:	$58,246,002
Unadjusted Threshold Basis Limit:	$44,385,110
Total Adjusted Threshold Basis Limit:	$61,251,452

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 28%

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

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

Resyndication and Resyndication Transfer Event: None.

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

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.

CDLAC 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 rehabilitation 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 (HERS II) post rehabilitation.