CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2018

Sky Parkway Terrace, located at 5414 Sky Parkway in Sacramento, requested and is being recommended for a reservation of $376,772 in annual federal tax credits to finance the acquisition and rehabilitation of 58 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Preservation Partners Development and is located in Senate District 6 and Assembly District 9.

Sky Parkway Terrace is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Sky Parkway Apartments (CA-2003-914). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-18-648

Project Name Sky Parkway Terrace
Site Address: 5414 Sky Parkway
Sacramento, CA 95823 County: Sacramento
Census Tract: 47.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$376,772	$0
Recommended:	$376,772	$0

Applicant Information
Applicant: Sky Parkway II Preservation Limited Partnership
Contact: William E. Szymczak
Address: 21515 Hawthorne Blvd Suite 150
Torrance, CA 90503
Phone: 310-802-6670
Email: bill@preservationpartners.org

General Partner(s) or Principal Owner(s): Sky Parkway II Preservation Partners LLC
JHC-Sky Parkway LLC
General Partner Type: Joint Venture
Parent Company(ies): Preservation Partners Development
Jamboree Housing Coorporation
Developer: Preservation Partners Development
Investor/Consultant: Candeur Group
Management Agent: Preservation Partners Management Group

Project Information

Construction Type:	Acquistion & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	59
No. / % of Low Income Units:	58 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (58 Units / 100%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	February 1, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	58	100%

Unit Mix

58	1-Bedroom Units
1	2-Bedroom Units
59	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
58	1 Bedroom	50%	50%	$751
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $28,748,280

Project Cost Summary at Application	
Land and Acquisition	$4,900,000
Construction Costs	$0
Rehabilitation Costs	$2,717,304
Construction Contingency	$269,040
Relocation	$200,150
Architectural/Engineering	$215,000
Const. Interest, Perm. Financing	$645,685
Legal Fees, Appraisals	$201,500
Reserves	$162,982
Other Costs	$327,553
Developer Fee	$1,295,336
Commercial Costs	$0.00
Total	**$10,934,550**

Residential

Construction Cost Per Square Foot:	$77
Per Unit Cost:	$185,331
True Cash Per Unit Cost*:	$142,514

Construction Financing

Source	Amount
Citibank, N.A. - T.E. Bonds	$6,000,000
Seller Note	$2,400,000
Deferred Developer Fee	$695,336
General Partner Equity	$50,000
Tax Credit Equity	$1,789,214

Permanent Financing

Source	Amount
Citibank, N.A. - T.E. Bonds	$4,704,000
Seller Note	$2,400,000
Deferred Developer Fee	$126,226
General Partner Equity	$50,000
Tax Credit Equity	$3,654,324
TOTAL	**$10,934,550**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,023,911
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$4,991,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,531,084
Qualified Basis (Acquisition):	$4,991,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$213,566
Maximum Annual Federal Credit, Acquisition:	$163,206
Total Maximum Annual Federal Credit:	$376,772
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,295,336
Investor/Consultant:	Candeur Group
Federal Tax Credit Factor:	$0.96990

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:	$10,014,911
Actual Eligible Basis:	$10,014,911
Unadjusted Threshold Basis Limit:	$15,195,764
Total Adjusted Threshold Basis Limit:	$30,391,528

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: 100%

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-2003-914). 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-2003-914) 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 with distribution of Net Project Equity in the amount of $5,620. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $1,421,000. The Executive Director has modified the applicant's obligation to fund the Short Term Work with specified sources in order to include the full Short Term Work amount in basis such that the obligation is limited to the amount of Net Project Equity. There is a general partner equity contribution of at least $50,000, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency
The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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 provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year

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.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.