CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 16, 2019

Victory Trio, located at 3301 Norwood Avenue, 1048 Dixieanne Avenue, and 1075 Dixieanne Avenue in Sacramento, requested and is being recommended for a reservation of $793,577 in annual federal tax credits to finance the acquisition and rehabilitation of 89 units of housing serving tenants with rents affordable to households earning 40-60% of area median income (AMI). The project will be developed by Mutual Housing California and is located in Senate District 6 and Assembly District 7.

Victory Trio is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Norwood Estates Annex (CA-2000-044) and Victory Townhomes / Evergreen Estates (CA-2001-121). 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.

Project Number	CA-19-419	
Project Name	Victory Trio	
Site Address:	3301 Norwood Avenue Sacramento, CA 95838	1048 & 1075 Dixieanne Avenue Sacramento, CA 95815
Census Tract:	67.02	69.00
County:	Sacramento	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$793,577	$0
Recommended:	$793,577	$0

Applicant Information

Applicant:	Victory Trio Mutual Housing Associates, L.P.
Contact:	Keith Bloom
Address:	8001 Fruitridge Road, Suite A Sacramento, CA 95820
Phone:	916-453-8400
Email:	Keith@mutualhousing.com

General Partner(s) or Principal Owner(s):	Mutual Housing California Victory Trio Mutual Housing Association LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Mutual Housing California
Developer:	Mutual Housing California
Investor/Consultant:	BBVA
Management Agent:	Mutual Housing Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	29
Total # of Units:	91
No. / % of Low Income Units:	89 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / CDBG
	HUD Section 8 Project-based vouchers (8 units - 9%)

Bond Information

Issuer:	Housing Authority City of Sacramento
Expected Date of Issuance:	March 15, 2019

Information

Housing Type:	Non-Targeted
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 40% AMI:	37	41%
At or Below 50% AMI:	46	52%
At or Below 60% AMI:	6	7%

Unit Mix

1	SRO/Studio Units
7	1-Bedroom Units
51	2-Bedroom Units
25	3-Bedroom Units
7	4-Bedroom Units
91	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	SRO/Studio	40%	40%	$561
14	2 Bedrooms	40%	40%	$721
9	3 Bedrooms	40%	40%	$833
3	4 Bedrooms	40%	40%	$930
3	2 Bedrooms	40%	40%	$721
5	2 Bedrooms	50%	50%	$901
23	2 Bedrooms	50%	50%	$901
8	3 Bedrooms	50%	50%	$1,041
3	4 Bedrooms	50%	50%	$1,162
5	2 Bedrooms	60%	60%	$1,081
5	1 Bedroom	40%	40%	$601
2	3 Bedrooms	40%	40%	$833
2	1 Bedroom	50%	50%	$751
5	3 Bedrooms	50%	50%	$1,041
1	3 Bedrooms	60%	60%	$1,249
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$937
1	4 Bedrooms	Manager’s Unit	Manager’s Unit	$1,079

TCAC-confirmed Projected Lifetime Rent Benefit: $37,800,180

Project Cost Summary at Application	
Land and Acquisition	$9,756,123
Construction Costs	$0
Rehabilitation Costs	$7,014,896
Construction Contingency	$701,490
Relocation	$667,328
Architectural/Engineering	$285,100
Const. Interest, Perm. Financing	$1,002,194
Legal Fees, Appraisals	$106,000
Reserves	$190,736
Other Costs	$193,645
Developer Fee	$2,750,772
Commercial Costs	$0
Total	**$22,668,284**

Residential

Construction Cost Per Square Foot:	$50
Per Unit Cost:	$249,102
True Cash Per Unit Cost*:	$202,077

Construction Financing

Source	Amount
BBVA Construction Loan	$12,000,000
Seller Carryback Loan	$3,028,323
SHRA - HOME / CDBG	$3,169,575
SHRA - Housing Trust Fund**	$803,853
Accrued / Deferred Loan Interest**	$405,318
Deferred Developer Fee	$1,250,912
GP Capital	$367,350
LP Tax Credit Equity	$628,757

Permanent Financing

Source	Amount
BBVA Perm Loan	$379,000
Seller Carryback Loan	$3,028,323
SHRA - HOME / CDBG	$3,169,575
SHRA New Loan	$3,530,000
SHRA Housing Trust Fund**	$803,853
Accrued / Deferred Loan Interest**	$405,318
GP Perm Loan	$221,361
Deferred Developer Fee	$1,250,912
GP Capital	$2,395,370
Tax Credit Equity	$7,484,572
TOTAL	**$22,668,284**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,597,144
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$10,492,107
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,776,287
Qualified Basis (Acquisition):	$10,492,107
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$450,485
Maximum Annual Federal Credit, Acquisition:	$343,092
Total Maximum Annual Federal Credit:	$793,577
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,750,772
Investor/Consultant:	BBVA
Federal Tax Credit Factor:	$0.94314

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:	$21,089,251
Actual Eligible Basis:	$21,089,251
Unadjusted Threshold Basis Limit:	$30,806,438
Total Adjusted Threshold Basis Limit:	$59,456,425

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: 93%

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

This project involves the substantial rehabilitation of 2 resyndication scattered sites originally constructed in 1992 (1048 Dixieanne Avenue), 2002 -2003 (1075 Dixieanne Avenue), and 2001 (3301 Norwood Avenue).

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 Agreements (CA-2000-044 and CA-2001-121). 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 dates and the placed in service dates occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated projects shall continue to meet the rents and income targeting levels in the existing regulatory agreements and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement. 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 Agreements CA-2000-044 and CA-2001-121 is a qualified low-income household at that site for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreements (CA-2000-044 and CA-2001-121) require service amenities. The projects shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

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