CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 20, 2019

Cascade Village Apartments, located at 7600 Fruitridge Road in Sacramento, requested and is being recommended for a reservation of $979,525 in annual federal tax credits to finance the acquisition and rehabilitation of 73 units of housing serving tenants with rents affordable to households earning 45-60% of area median income (AMI). The project will be developed by Bayside Communities LLC and is located in Senate District 6 and Assembly District 7.

Cascade Village Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Cascade Apartments (CA-2001-048). 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-19-447

Project Name Cascade Village Apartments
Site Address: 7600 Fruitridge Road
Sacramento, CA 95820 County: Sacramento
Census Tract: 32.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$979,525	$0
Recommended:	$979,525	$0

Applicant Information
Applicant: Cascade Village Apartments II, LP
Contact: Natalia Williams
Address: 1990 N. California Blvd., Suite 1070
Walnut Creek, CA 94596
Phone: (925) 482-9430
Email: nwilliams@baysidecommunities.com

General Partner(s) or Principal Owner(s): Bayside Cascade GP II, LLC
Community Resident Services, Inc.
General Partner Type: Joint Venture
Parent Company(ies): Bayside Communities, LLC
Community Resident Services, Inc.
Developer: Bayside Communities LLC
Investor/Consultant: Boston Capital Corporation
Management Agent: FPI Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	6
Total # of Units:	74
No. / % of Low Income Units:	73 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (73 Units / 100%)

Bond Information

Issuer:	Sacramento Housing & Redevelopment Agency
Expected Date of Issuance:	May 15, 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
45% AMI:	33	45%
50% AMI:	37	51%
60% AMI:	3	4%

Unit Mix

52	1-Bedroom Units
22	2-Bedroom Units
74	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
33	1 Bedroom	45%	45%	$676
19	1 Bedroom	50%	50%	$751
9	2 Bedrooms	50%	50%	$901
3	2 Bedrooms	60%	60%	$1,081
9	2 Bedrooms	50%	50%	$901
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$16,092,500
Construction Costs	$0
Rehabilitation Costs	$6,114,991
Construction Hard Cost Contingency	$611,499
Soft Cost Contingency	$70,275
Relocation	$750,000
Architectural/Engineering	$235,000
Const. Interest, Perm. Financing	$690,225
Legal Fees	$172,718
Reserves	$309,934
Other Costs	$533,958
Developer Fee	$3,629,873
Commercial Costs	$0
Total	**$29,210,973**

Residential

Construction Cost Per Square Foot:	$110
Per Unit Cost:	$394,743
True Cash Per Unit Cost*:	$282,731

Construction Financing

Source	Amount
Banner Bank - T.E. Bonds	$17,000,000
Seller Note - Series B Bonds	$6,500,000
Tax Credit Equity	$3,342,138

Permanent Financing

Source	Amount
Banner Bank - T.E. Bonds	$10,955,000
Seller Note - Series B Bonds	$6,500,000
Operating Income	$200,000
Deferred Developer Fee	$1,788,846
Contributed Developer Fee	$402,871
Tax Credit Equity	$9,364,256
TOTAL	**$29,210,973**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,640,489
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$17,441,039
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,532,636
Qualified Basis (Acquisition):	$17,441,039
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$403,930
Maximum Annual Federal Credit, Acquisition:	$575,554
Total Maximum Annual Federal Credit:	$979,525
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,629,873
Investor/Consultant:	Boston Capital Corporation
Federal Tax Credit Factor:	$0.95600

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:	$27,081,528
Actual Eligible Basis:	$27,081,528
Unadjusted Threshold Basis Limit:	$21,511,704
Total Adjusted Threshold Basis Limit:	$43,023,408

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

● Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.

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

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 3.30% 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-2001-048). 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.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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-2001-048) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication where the existing regulatory agreement requires service amenities of after school programs of an on going nature an educational classes . The project 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. At placed-in-service, the project shall demonstrate that the services provided would be able to obtain 10 points for services pursuant to TCAC Regulation Section 10325(c)(5)(B) and that the services budget is reasonable and sufficient to support the services.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $402,871. There is a Contributed Developer Fee in the amount of at least $402,871, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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: None