

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 16, 2019**  
**REVISED**

Rental Assistance Demonstration Phase I, located in Sacramento, Elk Grove, and Antelope, requested and is being recommended for a reservation of \$673,599 in annual federal tax credits to finance the acquisition and rehabilitation of 124 units of housing serving tenants with rents affordable to households earning 40-80% of area median income (AMI). The project will be developed by Sacramento Housing Asset Repositioning Program, Inc. (SHARP) and is located in Senate District 6 and Assembly District 9.

The project will be receiving rental assistance in the form of Rental Assistance Demonstration (RAD) Section 8 Project-based Vouchers and HUD Section 8 Project-based Vouchers.

**Project Number** CA-19-548

**Project Name** Rental Assistance Demonstration Phase I

Site Address:	<b><u>Meadow Commons</u></b> 1043 43rd Avenue Sacramento, CA 95822	<b><u>Oak Park</u></b> 4921 Folsom Boulevard Sacramento, CA 95819
Census Tract:	40.01	16.00

Site Address:	<b><u>Pointe Lagoon - Perry</u></b> 4500- 4530 Perry Avenue Sacramento, CA 95820	<b><u>Pointe Lagoon - El Paraiso</u></b> 4930 El Paraiso Avenue Sacramento, California 95824
Census Tract:	44.01	46.01

Site Address:	<b><u>Pointe Lagoon - Elk Grove</u></b> 9205 Elk Grove Boulevard Elk Grove, California 95624	<b><u>Rio Garden</u></b> 8223 Walerga Road Antelope, California 95843
Census Tract:	93.07	74.30

County: Sacramento

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$673,599	\$0
Recommended:	\$673,599	\$0

**Applicant Information**

Applicant: Sacramento Housing Asset Repositioning Program, Inc. (SHARP)  
 Contact: James Shields, President  
 Address: 801 12th Street  
 Sacramento, CA 95814  
 Phone: 916-444-9210  
 Email: jshields@shra.org

General Partner(s) or Principal Owner(s): Sacramento Housing Asset Repositioning Program, Inc.  
 General Partner Type: Nonprofit  
 Parent Company(ies): SHARP  
 Developer: SHARP  
 Investor/Consultant: National Equity Fund, Inc.  
 Management Agent: Sacramento Housing and Redevelopment Agency

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 34  
 Total # of Units: 124  
 No. / % of Low Income Units: 124 100.00%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (6 units - 5%)  
 RAD HUD Section 8 Project-based Vouchers (118 units - 95%)

**Bond Information**

Issuer: Housing Authority of the County of Sacramento  
 Expected Date of Issuance: December 31, 2019

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Capital Region  
 TCAC Project Analyst: Diane SooHoo

**55-Year Use / Affordability**

<u>Aggregate Targeting</u>		<u>Percentage of</u>
<u>Number of Units</u>		<u>Affordable Units</u>
40% AMI:	53	43%
50% AMI:	32	26%
60% AMI:	34	27%
80% AMI:	5	4%

**Unit Mix**

64 1-Bedroom Units  
 16 2-Bedroom Units  
 44 3-Bedroom Units  


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 124 Total Units

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
<b><u>Meadow Commons</u></b>			
22 1 Bedroom	40%	39%	\$611
5 1 Bedroom	60%	39%	\$611
1 1 Bedroom	80%	39%	\$611
<b><u>Oak Park</u></b>			
1 3 Bedrooms	50%	48%	\$1,049
5 3 Bedrooms	50%	50%	\$1,080
3 3 Bedrooms	60%	50%	\$1,080
1 3 Bedrooms	80%	48%	\$1,049
<b><u>Pointe Lagoon - Perry</u></b>			
3 3 Bedrooms	50%	46%	\$998
2 3 Bedrooms	60%	46%	\$998
5 3 Bedrooms	60%	48%	\$1,049
<b><u>Pointe Lagoon - El Paraiso</u></b>			
25 1 Bedroom	40%	35%	\$551
10 1 Bedroom	60%	35%	\$551
1 1 Bedroom	80%	35%	\$551
<b><u>Pointe Lagoon - Elk Grove</u></b>			
6 2 Bedrooms	40%	37%	\$703
9 2 Bedrooms	60%	37%	\$703
1 2 Bedrooms	80%	37%	\$703
<b><u>Rio Garden</u></b>			
10 3 Bedrooms	50%	48%	\$1,049
13 3 Bedrooms	50%	48%	\$1,049
1 3 Bedrooms	80%	50%	\$1,080

**Project Cost Summary at Application**

Land and Acquisition	\$10,410,000
Construction Costs	\$0
Rehabilitation Costs	\$6,419,075
Construction Hard Cost Contingency	\$951,173
Soft Cost Contingency	\$75,859
Relocation	\$512,850
Architectural/Engineering	\$447,539
Const. Interest, Perm. Financing	\$816,096
Legal Fees	\$150,000
Reserves	\$491,116
Other Costs	\$364,224
Developer Fee	\$2,510,000
Commercial Costs	\$0
<b>Total</b>	<b>\$23,147,932</b>

**Residential**

Construction Cost Per Square Foot:	\$42
Per Unit Cost:	\$186,677
True Cash Per Unit Cost*:	\$180,503

**Construction Financing**

Source	Amount
Wells Fargo - Construction Loan	\$12,500,000
SHRA - Capitalized Ground Lease	\$7,661,496
Tax Credit Equity	\$447,023

**Permanent Financing**

Source	Amount
PGIM, Inc	\$2,729,602
SHRA - Capitalized Ground Lease	\$7,661,496
SHRA Acquisition Loan	\$2,748,504
SHRA Gap Loan	\$2,742,476
Deferred Developer Fee	\$765,620
Tax Credit Equity	\$6,500,234
<b>TOTAL</b>	<b>\$23,147,932</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$5,020,174
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,725,554
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,546,401
Qualified Basis (Acquisition):	\$9,725,554
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$352,656
Maximum Annual Federal Credit, Acquisition:	\$320,943
Total Maximum Annual Federal Credit:	\$673,599
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,510,000
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$0.96500

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:	\$19,765,903
Actual Eligible Basis:	\$19,765,903
Unadjusted Threshold Basis Limit:	\$41,424,256
Total Adjusted Threshold Basis Limit:	\$69,592,750

**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: 68%

**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 meet or 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**

Rental Assistance Demonstration Phase I (CA-19-584) are scattered site public housing properties located in the County of Sacramento and the City of Sacramento operated by the Housing Authority of the City of Sacramento and the Housing Authority of County of Sacramento. Project-based vouchers for 118 units will be through the HUD RAD program, and 6 units will receive HUD Section 8 project-based vouchers.

In lieu of on-site manager units, the project has committed to employ an equivalent number of on-site full-time property management staff at each site (at least one of whom is a property manager) and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working for each site. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

**Resyndication and Resyndication Transfer Event:** None

#### **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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.