CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2019

Pacific Rim Apartments, located at 6620 Sunnyslope Drive in Sacramento, requested and is being recommended for a reservation of $381,643 in annual federal tax credits to finance the acquisition and rehabilitation of 31 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Alliance Property Group Inc. and is located in Senate District 6 and Assembly District 9.

Pacific Rim Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Sunnyslope Apartments (CA-2003-885). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number	CA-19-574	
Project Name	Pacific Rim Apartments	
Site Address:	6620 Sunnyslope Drive	
	Sacramento, CA 95828	County: Sacramento
Census Tract:	48.02	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$381,643	$0
Recommended:	$381,643	$0

Applicant Information

Applicant:	Pacific Rim Apartments, LP
Contact:	Danielle Curls Bennett
Address:	1730 E. Holly Avenue, Suite 327 El Segundo, CA 90245
Phone:	(424) 369-4570
Email:	dcurlsbennett@apg-dev.com

General Partner(s) or Principal Owner(s):	Pacific Rim GP, LLC Community Revitalization and Development Corp.
General Partner Type:	Joint Venture
Parent Company(ies):	Alliance Property Group Inc. Community Revitalization and Development Corp.
Developer:	Alliance Property Group Inc.
Investor/Consultant:	Hunt Capital Partners, LLC
Management Agent:	FPI Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	32
No. / % of Low Income Units:	31 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME
Utility Allowance:	CUAC

Bond Information

Issuer:	Housing Authority of the County of Sacramento
Expected Date of Issuance:	January 8, 2020

Information

Housing Type:	Large Family
Geographic Area:	Capital Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	7	23%
60% AMI:	24	77%

Unit Mix

32	3-Bedroom Units
32	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	3 Bedrooms	50%	48%	$1,044
2	3 Bedrooms	60%	48%	$1,044
22	3 Bedrooms	60%	60%	$1,304
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,164

Project Cost Summary at Application

Land and Acquisition	$4,569,650
Construction Costs	$0
Rehabilitation Costs	$3,557,134
Construction Hard Cost Contingency	$355,713
Soft Cost Contingency	$42,664
Relocation	$112,000
Architectural/Engineering	$167,285
Const. Interest, Perm. Financing	$603,126
Legal Fees	$105,000
Reserves	$180,000
Other Costs	$157,645
Developer Fee	$1,259,633
Commercial Costs	$0
Total	**$11,109,850**

Residential

Construction Cost Per Square Foot:	$106
Per Unit Cost:	$347,183
True Cash Per Unit Cost*:	$336,160

Construction Financing

Source	Amount
California Bank and Trust	$5,500,000
SHRA Assumed Loan[1]	$2,242,986
SHRA New Loan (HOME)[1]	$1,964,000
Seller Carryback Loan	$26,648
Short Term Work Reserve	$26,985
Existing Replacement Reserves	$8,253
Deferred Cost	$647,792
Tax Credit Equity	$693,186

Permanent Financing

Source	Amount
California Bank & Trust	$2,300,000
SHRA Assumed Loan[1]	$2,242,986
SHRA New Loan (HOME)[1]	$2,455,000
Seller Carryback Loan	$26,648
NOI During Rehab	$84,758
Short Term Work Reserves	$26,985
Existing Replacement Reserves	$8,253
Accrued interest	$253,200
Deferred Developer Fee	$326,085
Tax Credit Equity	$3,385,935
TOTAL	**$11,109,850**

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

[1] Sacramento Housing Redevelopment Agency

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,358,601
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$4,600,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,966,181
Qualified Basis (Acquisition):	$4,600,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$229,843
Maximum Annual Federal Credit, Acquisition:	$151,800
Total Maximum Annual Federal Credit:	$381,643
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,259,633
Investor/Consultant:	Hunt Capital Partners, LLC
Federal Tax Credit Factor:	$0.88720

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:	$9,958,601
Actual Eligible Basis:	$9,958,601
Unadjusted Threshold Basis Limit:	$13,533,184
Total Adjusted Threshold Basis Limit:	$16,510,484

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: 22%

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:

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this existing project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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-2005-885). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

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-05-885) 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. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a capitalized replacement reserve in the amount of $10,999 which will continue to stay with the project. This Subsequent Transfer Event requires either a seller carryback note or a general partner equity contribution in the amount of $26,648. There is a seller carryback note in the amount of $26,648 satisfying such requirement. As a result of the seller credit, the project is allowed 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.

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.