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

Twin Rivers Block B and E, located at 321 Eliza Street in Sacramento, requested and is being recommended for a reservation of $2,813,239 in annual federal tax credits to finance the new construction of 122 units of housing serving tenants with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by McCormack Baron Salazar, Inc. and will be located in Senate District 6 and Assembly District 7.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the AHSC program of HCD.

Project Number	CA-19-588		
Project Name	Twin Rivers Block B and E		
Site Address:	321 Eliza Street		
	Sacramento, CA 95811	County:	Sacramento
Census Tract:	53.01		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,813,239	$0
Recommended:	$2,813,239	$0

Applicant Information

Applicant:	Twin Rivers Phase 2, L.P.
Contact:	Daniel Falcon
Address:	801 South Grand Avenue, #780
	Los Angeles, CA 90017
Phone:	213-236-2680
Email:	daniel.falcon@mccormackbaron.com

General Partner(s) or Principal Owner(s):	Twin Rivers Phase 2 MBS GP, Inc.
	Sacramento Housing Authority Repositioning Program
General Partner Type:	Joint Venture
Parent Company(ies):	McCormack Baron Salazar, Inc.
	Sacramento Housing and Redevelopment Agency
Developer:	McCormack Baron Salazar, Inc.
Investor/Consultant:	Wells Fargo
Management Agent:	McCormack Baron Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	9
Total # of Units:	123
No. / % of Low Income Units:	122 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (69 Units-57%)

Bond Information

Issuer:	Housing Authority of the City of Sacramento
Expected Date of Issuance:	March 1, 2020

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital Region
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	69	57%
60% AMI:	31	25%
80% AMI:	22	18%

Unit Mix

44	1-Bedroom Units
53	2-Bedroom Units
18	3-Bedroom Units
7	4-Bedroom Units
1	5-Bedroom Units
123	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15	1 Bedroom	30%	30%	$470
16	1 Bedroom	60%	60%	$941
13	1 Bedroom	80%	80%	$1,255
32	2 Bedrooms	30%	30%	$564
11	2 Bedrooms	60%	60%	$1,129
9	2 Bedrooms	80%	80%	$1,506
7	3 Bedrooms	30%	30%	$644
7	3 Bedrooms	30%	30%	$644
3	3 Bedrooms	60%	58%	$1,254
1	3 Bedrooms	60%	58%	$1,254
2	4 Bedrooms	30%	30%	$727
5	4 Bedrooms	30%	30%	$727
1	5 Bedrooms	30%	30%	$802
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$4,806,588
Construction Costs	$40,703,542
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$4,070,354
Soft Cost Contingency	$436,201
Relocation	$0
Architectural/Engineering	$2,506,927
Const. Interest, Perm. Financing	$3,680,121
Legal Fees	$525,000
Reserves	$1,074,927
Other Costs	$3,010,875
Developer Fee	$8,533,627
Commercial Costs	$0
Total	**$69,348,162**

Residential

Construction Cost Per Square Foot:	$316
Per Unit Cost:	$563,806
True Cash Per Unit Cost*:	$508,210

Construction Financing

Source	Amount
US Bank	$40,000,000
SHRA Ground Lease	$158,400
SHRA CNI[1]	$8,000,000
SHRA Infrastructure Loan	$4,630,588
Deferred Costs	$8,681,687
Tax Credit Equity	$7,877,487

Permanent Financing

Source	Amount
US Bank	$10,190,619
SHRA Ground Lease	$158,400
SHRA CNI[1]	$8,000,000
SHRA Infrastructure Loan	$4,630,588
HCD AHSC	$12,933,015
Deferred Developer Fee	$6,679,892
Tax Credit Equity	$26,755,648
TOTAL	**$69,348,162**

[1]Choice Neighborhood Initiatives
*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	$65,576,673
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$85,249,675
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$2,813,239
Approved Developer Fee (in Project Cost & Eligible Basis):	$8,533,627
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	$0.95106

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:	$65,576,673
Actual Eligible Basis:	$65,576,673
Unadjusted Threshold Basis Limit:	$40,944,504
Total Adjusted Threshold Basis Limit:	$86,802,348

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 112%

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
Staff has identified this project as a high cost per unit project. Factors contributing to the high cost are City requirements that the developer construct extensive public improvement infrastructure including new streets, street signage, bike lanes, sidewalks, and street landscaping.

This 123 unit project consists of the new construction of two scattered sites (Block B and Block E). The project sites are part of a larger 20.99 acre master development site. Block B consists of 1.66 acres, and Block E consists of 1.51 acres. The current legal description is part of a larger site. By placed in service, the lot line adjustments for the project CA-19-588 must be completed.

The project will have 1 manager unit located in Block B which will be within 100 yards of Block E per CTCAC regulation 10325(f)(7)(J).

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.