CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Twin Rivers Block A, located at 321 Eliza Street in Sacramento, requested and is being recommended for a reservation of $2,522,540 in annual federal tax credits and $7,998,238 in total to finance the new construction of 103 units of housing serving tenants with rents affordable to households earning 35%-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.

Project Number CA-20-577

Project Name Twin Rivers Block A
Site Address: 321 Eliza Street, Block A
Sacramento, CA 95811 County: Sacramento
Census Tract: 53.01

Tax Credit Amounts	**Federal/Annual**	**State/Total** *
Requested:	$2,522,540	$7,998,238
Recommended:	$2,522,540	$7,998,238

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant:	Twin Rivers Phase 1, 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 1 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:	8
Total # of Units:	104
No. / % of Low Income Units:	103 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Project-based Vouchers (71 Units - 68%)

Bond Information

Issuer:	Housing Authority of the City of Sacramento
Expected Date of Issuance:	June 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
35% AMI:	56	54%
60% AMI:	26	25%
80% AMI:	21	20%

Unit Mix

39	1-Bedroom Units
48	2-Bedroom Units
16	3-Bedroom Units
1	4-Bedroom Units
104	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
22	1 Bedroom	35%	30%	$470
17	2 Bedrooms	35%	30%	$564
2	3 Bedrooms	35%	30%	$644
14	3 Bedrooms	35%	30%	$644
1	4 Bedrooms	35%	30%	$727
12	1 Bedroom	60%	60%	$941
3	2 Bedrooms	60%	60%	$1,129
11	2 Bedrooms	60%	60%	$1,129
5	1 Bedroom	80%	80%	$1,255
16	2 Bedrooms	80%	80%	$1,506
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$5,158,129
Construction Costs	$39,498,454
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$3,949,845
Soft Cost Contingency	$440,289
Relocation	$0
Architectural/Engineering	$2,364,937
Const. Interest, Perm. Financing	$3,681,090
Legal Fees	$500,000
Reserves	$507,603
Other Costs	$3,332,099
Developer Fee	$4,540,000
Commercial Costs	$0
Total	**$63,972,446**

Residential	
Construction Cost Per Square Foot:	$328
Per Unit Cost:	$615,120
True Cash Per Unit Cost*:	$595,889

Construction Financing	
Source	Amount
US Bank	$35,233,427
SHRA - Ground Lease	$819,000
Strategic Growth Council - TCCI[1]	$1,000,000
SHRA	$3,915,294
SHRA - HTF[2]	$7,000,000
SHRA - CNI[3]	$7,000,000
Deferred Costs	$3,777,602
Tax Credit Equity	$5,227,123

Permanent Financing	
Source	Amount
US Bank	$10,279,593
SHRA - Ground Lease	$819,000
CA. Dept. Developmental Service	$1,500,000
Strategic Growth Council - TCCI[1]	$1,000,000
SHRA	$3,915,294
SHRA - HTF[2]	$7,000,000
SHRA - CNI[3]	$7,000,000
Deferred Developer Fee	$2,000,000
Tax Credit Equity	$30,458,559
TOTAL	**$63,972,446**

[1]California Strategic Growth Council - Transformative Climate Communities Implementation
[2]City Housing Trust Funds
[3]Choice Neighborhood Initiative
*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	$59,889,358
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis :	$77,856,165
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$2,522,540
Total State Credit:	$7,998,238
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,540,000
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	$0.95380
State Tax Credit Factor:	$0.80000

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:	$59,889,358
Actual Eligible Basis:	$59,889,358
Unadjusted Threshold Basis Limit:	$37,132,486
Total Adjusted Threshold Basis Limit:	$73,613,936

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: 98%

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 3.24% 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 subject site, along with land adjacent to the south and east on the larger original parcel, are planned for redevelopment with a total of a 487 residential units including 218 units to replace the former Dos Rios public housing units, 134 new affordable rental (LIHTC) units, and 135 market-rate rental units. The subject site is planned for a total of 104 residential units, of which are 56 are replacement units for the former public housing project. (The state credits have been calculated using the eligible basis for the additional units. TCAC will not allocate these state tax credits for re-construction of demolished housing projects.)

Staff noted a cost per unit of $595,889. The applicant indicated the high cost of construction in the current market, city-required improvements, and the climate adaption features of raised grade, a stormwater system, and onsite PV solar energy production contributed to the project cost.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.