

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 17, 2020

The A.J., located at 305 6th Street in Sacramento, requested and is being recommended for a reservation of \$1,043,304 in annual federal tax credits tax credits to finance the new construction of 69 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by USA Properties Fund, Inc. and will be located in Senate District 6 and Assembly District 7.

Project Number CA-20-909

Project Name The A.J.
Site Address: 305 6th Street
Sacramento, CA 95814 County: Sacramento
Census Tract: 53.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,043,304	\$0
Recommended:	\$1,043,304	\$0

Applicant Information

Applicant: Sacramento 695, L.P.
Contact: Geoffrey C. Brown
Address: 3200 Douglas Blvd., Suite 200
Roseville, CA 95661
Phone: (916) 724-3936
Email: gbrown@usapropfund.com

General Partner(s) or Principal Owner(s): Caboose Investors, LLC
General Partner Type: N/A
Parent Company(ies): USA Properties Fund, Inc.
Developer: USA Properties Fund, Inc.
Investor/Consultant: Boston Capital
Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 345
No. / % of Low Income Units: 69 20.12%
Federal Set-Aside Elected: 20%/50%
Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: June 22, 2020

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 69	100%

Unit Mix

48 SRO/Studio Units
 238 1-Bedroom Units
 59 2-Bedroom Units

 345 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 SRO/Studio	50%	50%	\$732
48 1 Bedroom	50%	50%	\$784
12 2 Bedrooms	50%	50%	\$941
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$6,400
39 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,788
190 1 Bedroom	Market Rate Unit	Market Rate Unit	\$2,171
45 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,938

Project Cost Summary at Application

Land and Acquisition	\$100
Construction Costs	\$90,588,058
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$8,385,922
Soft Cost Contingency	\$927,342
Relocation	\$0
Architectural/Engineering	\$4,250,000
Const. Interest, Perm. Financing	\$8,849,049
Legal Fees	\$200,000
Reserves	\$346,744
Other Costs	\$10,878,721
Developer Fee	\$16,060,566
Commercial Costs	\$286,600
Total	\$140,773,102

Residential

Construction Cost Per Square Foot:	\$282
Per Unit Cost:	\$407,207
True Cash Per Unit Cost*:	\$367,967

Construction Financing

Source	Amount
Citi Community Capital - T.E.	\$85,000,000
Citi Community Capital	\$9,300,000
SMUD Rebate	\$360,000
Master Developer Contribution	\$11,000,000
Market Rate Equity Investor	\$11,875,000
Deferred Costs	\$488,072
Tax Credit Equity	\$7,373,668

Permanent Financing

Source	Amount
Citi Community Capital -T.E.	\$85,000,000
Citi Community Capital	\$9,300,000
SMUD Rebate	\$360,000
Master Developer Contribution	\$11,000,000
Operating Income	\$3,006,052
Deferred Developer Fee (Market)	\$12,858,205
Deferred Developer Fee (Affordable)	\$707,237
Market Rate Equity Investor	\$9,350,100
Tax Credit Equity	\$9,191,508
TOTAL	\$140,773,102

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$123,131,005
130% High Cost Adjustment:	Yes
Applicable Fraction:	20.12%
Qualified Basis:	\$32,200,732
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$1,043,304
Approved Developer Fee (in Project Cost & Eligible Basis):	\$16,060,566
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.88100

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:	\$123,131,005
Actual Eligible Basis:	\$123,131,005
Unadjusted Threshold Basis Limit:	\$96,085,060
Total Adjusted Threshold Basis Limit:	\$134,721,830

Adjustments to Basis Limit

Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced
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 are below the minimum operating expenses established in the Regulations (see "Special Issues/Other Significant Information" section), 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 project will rent the parking garage at market rate. The parking garage rental is a tenant’s option. The rental garage has been excluded from eligible basis.

TCAC staff calculated the minimum operating expense to be \$5,000 per unit per year. This project's operating expense minimum has been reduced to \$4,531 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor.

The project has designated one onsite manager unit for 345 tenant units. Typically for a project of this size four manager units are recommended. The applicant has provided a management plan and documented experience in successfully managing large properties with two onsite manager units.

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.