

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2022 Second Round**

**September 28, 2022**

Broadway and 39th Street, located at 3900, 3906, 3908, 3916 Broadway and 3021, 3023, 3025 39th Street in Sacramento, requested and is being recommended for a reservation of \$1,811,835 in annual federal tax credits to finance the new construction of 42 units of housing serving seniors with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by The Related Companies of California 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-22-052

**Project Name** Broadway and 39th Street  
Site Address: 3900, 3906, 3908, 3916 Broadway and 3021, 3023, 3025 39th Street  
Sacramento, CA 95817 County: Sacramento  
Census Tract: 28

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
|---------------------------|-----------------------|--------------------|
| Requested:                | \$1,811,835           | \$0                |
| Recommended:              | \$1,811,835           | \$0                |

**Applicant Information**

Applicant: 39th and Broadway Housing Partners, LP  
Contact: Ann Silverberg  
Address: 44 Montgomery Street, Suite 1300  
San Francisco, CA 94104  
Phone: 510.610.9777  
Email: asilverberg@related.com

General Partner(s) / Principal Owner(s): Related/39th and Broadway Development Co, LLC  
AHA Sacramento II MGP, LLC  
Itasker Hollins Community Economic Development Corp  
General Partner Type: Joint Venture  
Parent Company(ies): The Related Companies of California  
Affordable Housing Access Inc  
Itasker Hollins Community Economic Development Corp  
Developer: The Related Companies of California  
Investor/Consultant: Union Bank  
Management Agent(s): John Stewart Company

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 43  
No. & % of Tax Credit Units: 42 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HUD Section 8 Project-based Vouchers (12 Units - 27%)

**Information**

Set-Aside: N/A  
Housing Type: Seniors  
Geographic Area: Capital Region  
CTCAC Project Analyst: Sopida Steinwert

**55-Year Use / Affordability**

| <u>Aggregate Targeting</u> | <u>Number of Units</u> | <u>Percent of Required Affordable Units</u> |
|----------------------------|------------------------|---|
| At or Below 30% AMI:       | 5                      | 10%   |
| At or Below 40% AMI:       | 7                      | 15%   |
| At or Below 45% AMI:       | 13                     | 30%   |
| At or Below 50% AMI:       | 8                      | 15%   |
| At or Below 55% AMI:       | 4                      | 5%  |
| At or Below 60% AMI:       | 5                      | 10%   |

**Unit Mix**

7 SRO/Studio Units  
36 1-Bedroom Units  


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43 Total Units

| <u>Unit Type &amp; Number</u> | <u>2022 Rents Targeted % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|
| 2 SRO/Studio                  | 30%  | \$532                                      |
| 1 SRO/Studio                  | 40%  | \$710                                      |
| 2 SRO/Studio                  | 45%  | \$798                                      |
| 2 SRO/Studio                  | 50%  | \$887                                      |
| 3 1 Bedroom                   | 30%  | \$570                                      |
| 6 1 Bedroom                   | 40%  | \$760                                      |
| 11 1 Bedroom                  | 45%  | \$855                                      |
| 6 1 Bedroom                   | 50%  | \$950                                      |
| 4 1 Bedroom                   | 55%  | \$950                                      |
| 5 1 Bedroom                   | 60%  | \$950                                      |
| 1 1 Bedroom                   | Manager's Unit                                     | \$0  |

**Project Cost Summary at Application**

|                                  |                     |
|----------------------------------|---------------------|
| Land and Acquisition             | \$435,000           |
| Construction Costs               | \$16,506,775        |
| Rehabilitation Costs             | \$0                 |
| Construction Contingency         | \$981,890           |
| Relocation                       | \$0                 |
| Architectural/Engineering        | \$1,221,593         |
| Const. Interest, Perm. Financing | \$1,237,933         |
| Legal Fees                       | \$275,000           |
| Reserves                         | \$183,227           |
| Other Costs                      | \$1,726,836         |
| Developer Fee                    | \$2,200,000         |
| Commercial Costs                 | \$0                 |
| <b>Total</b>                     | <b>\$24,768,254</b> |

**Residential**

|                                    |           |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$601     |
| Per Unit Cost:                     | \$576,006 |
| True Cash Per Unit Cost*:          | \$571,122 |

| <b>Construction Financing</b> |               | <b>Permanent Financing</b> |                     |
|-------------------------------|---------------|----------------------------|---------------------|
| <u>Source</u>                 | <u>Amount</u> | <u>Source</u>              | <u>Amount</u>       |
| MUFG Union Bank N.A.          | \$15,451,901  | MUFG Union Bank N.A.       | \$1,407,000         |
| SHRA HOME                     | \$6,120,000   | SHRA HOME                  | \$6,120,000         |
| SHRA Carryback Note           | \$210,000     | SHRA Carryback Note        | \$210,000           |
| Deferred Costs                | \$183,228     | Tax Credit Equity          | \$17,031,254        |
| Deferred Developer Fee        | \$1,100,000   | <b>TOTAL</b>               | <b>\$24,768,254</b> |
| Tax Credit Equity             | \$1,703,125   |                            |                     |

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

**Determination of Credit Amount(s)**

|  |              |
|--|--------------|
| Requested Eligible Basis:                                  | \$15,505,733 |
| 130% High Cost Adjustment:                                 | Yes          |
| Applicable Fraction:                                       | 100.00%      |
| Qualified Basis:   | \$20,157,453 |
| Applicable Rate:   | 9.00%        |
| Total Maximum Annual Federal Credit:                       | \$1,811,835  |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,200,000  |
| Investor/Consultant:                                       | Union Bank   |
| Federal Tax Credit Factor:                                 | \$0.94000    |

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Tie-Breaker Information**

|                   |                |
|-------------------|----------------|
| First:            | <b>Seniors</b> |
| Self-Score Final: | <b>47.538%</b> |
| CTCAC Final:      | <b>46.529%</b> |

**Significant Information / Additional Conditions**

The applicant specified in the Project Information that this project is a Scattered Site Project. Staff determined that this is not a Scattered Site Project pursuant to the definition stipulated in the CTCAC Regulation Section 10302.

Staff noted the hard cost contingency, as reflected in the project’s Application Sources & Uses table, exceeds 5% of the project’s total hard construction costs.

**Resyndication and Resyndication Transfer Event:** None.

**Local Reviewing Agency**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

## **Standard Conditions**

An error was made in the calculation for the high-cost determination, specifically the eligible basis for the insurance line item in the Sources and Uses Development Budget. An updated CPA certification correcting the error was submitted. Staff reduced the applicant's voluntarily excluded eligible basis figure by a corresponding amount, resulting in no net affect to the requested unadjusted eligible basis figure or the tax credits recommended.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

| <b>Points System</b>  | <b>Max. Possible Points</b> | <b>Requested Points</b> | <b>Points Awarded</b> |
|---|-----------------------------|-------------------------|-----------------------|
| <b>Owner / Management Characteristics</b>                                 | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| General Partner Experience  | 7                           | 7                       | 7                     |
| Management Experience   | 3                           | 3                       | 3                     |
| <b>Housing Needs</b>  | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>Site Amenities</b>   | <b>15</b>                   | <b>15</b>               | <b>15</b>             |
| Within ½ mile of transit, service every 30 min, 25 units/acre density     | 7                           | 7                       | 7                     |
| Within ½ mile of public park or community center open to general public   | 3                           | 3                       | 3                     |
| Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf | 3                           | 3                       | 3                     |
| Within ½ mile of medical clinic or hospital                               | 3                           | 3                       | 3                     |
| Within ½ mile of a pharmacy   | 2                           | 2                       | 2                     |
| <b>Service Amenities</b>  | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES                               |                             |                         |                       |
| Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms               | 5                           | 5                       | 5                     |
| Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction | 5                           | 5                       | 5                     |
| <b>Lowest Income</b>  | <b>52</b>                   | <b>52</b>               | <b>52</b>             |
| Basic Targeting   | 50                          | 50                      | 50                    |
| Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less     | 2                           | 2                       | 2                     |
| <b>Readiness to Proceed</b>   | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>Miscellaneous Federal and State Policies</b>                           | <b>2</b>                    | <b>2</b>                | <b>2</b>              |
| Smoke Free Residence  | 2                           | 2                       | 2                     |
| <b>Total Points</b>   | <b>109</b>                  | <b>109</b>              | <b>109</b>            |

**Please Note:** If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**