

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 First Round Cycle
July 16, 2008

Project Number CA 2008-087

Project Name Hotel Berry
Site Address: 729 L Street
Sacramento, CA 95814 County: Sacramento
Census Tract: 10

Applicant Information

Applicant: Hotel Berry Limited Partnership
Contact: William Leone
Address: 103 Castle Rock
Walnut Creek, CA 94598
Phone: (925) 939-5421 Fax: (925) 215-2403
Email: wmleone@juno.com
General Partners(s) Type: Joint Venture

Information

Set-Aside: SRO-Single Room Occupancy
Housing Type: Single Room Occupancy
Geographic Area: N/A

Eligible Basis

Requested: \$14,083,555
Actual: \$16,435,422
Maximum Permitted: \$17,782,774

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
Seismic Upgrading
95% of Upper Floor Units are Elevator-Serviced: 10%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,360,420	\$0
Recommended:	\$1,360,420	\$0

Project Information

Construction Type: Rehabilitation / Acquisition
Federal Subsidy: None
Total # of Units: 104
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 103 units
Breakdown by %: 10 @ 30%, 50 @ 40%, 10 @ 50%

Selection Criteria	Max. Possible Points	Req. Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds (Maximum of 20 points)</i>	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	2	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
<i>Owner / Management Characteristics (Maximum of 9 points)</i>	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Negative Points	0	0	0
<i>Housing Needs (Maximum of 10 points)</i>	10	10	10
<i>Site Amenities (Maximum of 15 points)</i>	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of public library	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of convenience market where staples are sold	2	2	2
<input checked="" type="checkbox"/> Special Needs or SRO project within ½ mile of a facility operated to serve population	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities (Maximum of 10 points)</i>	10	10	10
<input checked="" type="checkbox"/> Contract for services or provision of senior counseling services, with contract in place	5	5	5
<input checked="" type="checkbox"/> Bona fide service coordinator/social worker available	5	5	5
<i>Neighborhood Revitalization (Maximum of 9 points)</i>	9	9	9
<i>Sustainable Building Methods (Maximum of 8 points)</i>	8	8	8
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<i>Lowest Income (Maximum of 52 points)</i>	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed (Maximum of 20 points)</i>	20	20	20
<i>State credit substitution (Maximum of 2 points)</i>	2	2	2
Total Points	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **No**
 First: Housing Type **SRO**
 Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**
 Third: Calculated Ratio per Regulation 10325(c)(12) **92.577%**

<u>Unit Type & Number</u>	<u>2008 Rents for 1st Round 2008 % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/STUDIO	30%	\$372
10 SRO/STUDIO	30%	\$256
81 SRO/STUDIO	40%	\$497
11 SRO/STUDIO	50%	\$600
1 SRO/STUDIO	Manager's Unit	\$0

The general partner(s) or principal owner(s) are Trinity Housing Foundation and AF Evans Company, Inc.

The project developer is AF Evans Company, Inc.

The management agent is John Stewart Company.

The market analyst is Newport Realty Advisors.

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$20,058,982 Per Unit Cost: \$186,712 Construction Cost Per Sq. Foot: \$270
 Estimated Total Residential Cost: \$19,418,056
 Estimated Total Commercial Cost: \$640,926

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Trinity Housing Foundation	\$5,000,000	Trinity Housing Foundation	\$5,000,000
California Bank & Trust	\$9,252,000	CalHFA - MHSA	\$679,162
CalHFA - MHSA	\$679,176	FHLB - AHP	\$1,000,000
FHLB - AHP	\$1,000,000	Trinity Housing Foundation	\$900,000
Investor Equity	\$1,237,982	Deferred Developer Fee	\$100,000
		Investor Equity	\$12,379,820
		TOTAL	\$20,058,982

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$12,255,568
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,827,987
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$355,205
Qualified Basis (Rehabilitation):	\$15,613,594
Applicable Rate:	8.30%
Qualified Basis (Acquisition):	\$1,791,427
Applicable Rate:	3.60%
Maximum Annual Federal Credit, Rehabilitation:	\$1,295,928
Maximum Annual Federal Credit, Acquisition:	\$64,492
Total Maximum Annual Federal Credit:	\$1,360,420
Total State Credit:	\$0
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Tax Credit Factor: The Richman Group	\$0.91

Applicant requests and staff recommends annual federal credits of \$1,360,420 based on a qualified basis of \$17,760,225 and a funding shortfall of \$12,379,820.

Cost Analysis and Line Item Review

The requested eligible basis \$14,083,555 is below TCAC's threshold basis limit \$17,782,774. The basis limit was increased by the following extraordinary features: projects that are required to pay state or federal prevailing wages, projects requiring seismic upgrading of existing structures, and/or requiring toxic or other environmental mitigation as certified by the project architect, projects where 95% of upper floor units are elevator-serviced, and projects with 3 or more energy efficiency/resource conservation/indoor air quality items (using a Minimum Efficiency Report Value (MERV) 8 or higher

air filter for HVAC systems that introduce outside air, using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used, installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas). Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitations, with the exception of the contractor profit, overhead and general requirement costs as explained in the Special Issues section of this report below.

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 8.30% of the qualified basis, or, in the case of acquisition Credit or Credit combined with federal subsidies, 3.60%. 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.

Special Issues/Other Significant Information: The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed. The applicant has requested and been granted a waiver of the minimum construction standard for landscaping as the project building does not include landscaping areas.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits, in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$1,360,420	\$0

Standard Conditions

An application for a carryover allocation must be submitted by October 31, 2008, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

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 ten 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)(8) 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)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is December 15, 2008, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Gina Ferguson