CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 28, 2009

Project Number CA-2008-956

Project Name Shiloh Arms Apartments
Address: 4009 23rd Avenue
Sacramento, CA 95820 County: Sacramento

Applicant Information
Applicant: Shiloh Arms Partners, LP
Contact Sara Fay
Address: 1700 7th Avenue, Suite 2075
Seattle, WA 98101
Phone: (206) 832-1309 Fax: (206) 832-1309
Email: saf@housingadvisors.com
Sponsors Type: Joint Venture

Information
Housing Type: Large Family

Bond Information
Issuer: Sacramento Housing and Redevelopment Agency
Expected Date of Issuance: March 2009
Credit Enhancement: None

Eligible Basis
Actual: $10,892,784
Requested: $10,892,784
Maximum Permitted: $28,162,438

Extra Feature Adjustments:
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 17%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$424,983	$0
Recommended:	$424,983	$0

Project Information
Construction Type: Rehabilitation and Acquisition
Federal Subsidy: Tax-Exempt/HUD Section 8
HCD MHP Funding: No
Total # of Units: 107
Total # Residential Buildings: 18

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 106 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 21
Number of Units @ or below 60% of area median income: 85

		2008 Rents	
Unit Type & Number		**% of Area Median Income**	**Proposed Rent** (including utilities)
2	SRO/Studio	50%	$577
8	SRO/Studio	60%	$577
3	One-Bedroom	50%	$665
15	One-Bedroom	60%	$692
5	Two-Bedroom	50%	$798
23	Two-Bedroom	60%	$832
8	Three-Bedroom	50%	$923
34	Three-Bedroom	60%	$989
1	Four-Bedroom	50%	$1,029
7	Four-Bedroom	60%	$1,182
1	Two-Bedroom	Manager's Unit	$0

The general partners or principal owners are Shiloh Arms Management, LLC and AOF/Pacific Affordable Housing Corporation.

The project developer is Allied Pacific Development, LLC.

The management services will be provided by FPI Management, Inc.

The market analysis was provided by Lea & Company.

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

Project Financing

Estimated Total Project Cost: $12,487,621 Per Unit Cost: $116,707 Construction Cost Per Sq. Foot: $32

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo - Tax Exempt Bonds	$6,450,000	CCRC - Tax Exempt Bonds	$6,450,000
Sacramento Housing and Redevelopment	$1,500,000	Sacramento Housing and Redevelopment	$1,500,000
Interest reduction payment (IRP) from HUD	$200,000	Interest reduction payment (IRP) from HUD	$200,000
		Deferred Developer Fee	$874,010
		Investor Equity	$3,463,611
		TOTAL	**$12,487,621**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$4,165,284
Requested Acquisition Eligible Basis:	$6,727,500
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$5,414,869
Qualified Acquisition Basis:	$6,727,500
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$189,520
Maximum Annual Federal Acquisition Credit:	$235,463
Total Maximum Annual Federal Credit:	$424,983
Approved Developer Fee:	$1,420,798
Tax Credit Factor: Richman California Affordable Housing	$0.8150

Applicant requests and staff recommends annual federal credits of $424,983, based on a qualified rehabilitation basis of $5,414,869, a qualified acquisition basis of $6,727,500, and a funding shortfall of $3,463,611.

Cost Analysis and Line Item Review
The requested eligible basis $10,892,784 is below TCAC's adjusted threshold basis limit $28,162,438. The basis limit includes the adjustment for extraordinary features of a 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Recommendation: Staff recommends that the Committee make a 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
$424,983	**$0**

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, 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 of the buildings as completed.

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 credits 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.

Additional Conditions: The applicant/owner is required to provide the tenants with afterschool programs and educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Gina Ferguson