CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2011

Project Number CA-2011-813

Project Name Pioneer Towers
Site Address: 515 P Street
Sacramento, CA 95814 County: Sacramento
Census Tract: 8.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$650,247	$0
Recommended:	$650,247	$0

Applicant Information

Applicant: Pioneer Towers RHF Housing Partners LP
Contact: Kevin Gilchrist
Address: 911 N. Studebaker Road
Long Beach, CA 90815
Phone: (562) 257-5146 Fax: (562) 493-7042
Email: kevin.gilchrist@rhf.org

General partner(s) or principal owner(s): Pioneer Towers RHF Housing, LLC
General Partner Type: Non profit
Developer: Retirement Housing Foundation
Investor/Consultant: NHT Equity, LLC
Management Agent: Foundation Property Management

Project Information

Construction Type: Acquisition and Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 198
No. & % of Tax Credit Units: 157 79.7%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Section 8 (100 units / 50.5%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 44
Number of Units @ or below 60% of area median income: 113

Information

Housing Type: Seniors
Geographic Area: Capital and Northern Region
TCAC Project Analyst: Gina Ferguson

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	May 2011
Credit Enhancement:	Freddie Mac letter of credit

Unit Mix

198	1-Bedroom Units
198	Total Units

Unit Type & Number		2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
44	1 Bedroom	50%	50%	$685
113	1 Bedroom	60%	60%	$822
40	1 Bedroom	Market Rate Units	Market Rate Units	$850
1	1 Bedroom	Manager's Unit	Manager's Unit	$0

Project Financing

Estimated Total Project Cost:	$31,220,744	Construction Cost Per Square Foot:	$69
		Per Unit Cost:	$157,681

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
CalHFA	$14,000,000	CalHFA	$12,161,000
Taxable bonds	$1,839,000	Seller purchase note	$12,036,194
Seller purchase note	$12,036,194	Reserves	$1,200,000
Reserves	$1,200,000	Deferred Developer Fee	$165,805
General Partner Equity	$600	General Partner Equity	$600
Tax Credit Equity	$1,339,278	Tax Credit Equity	$5,657,145
		TOTAL	**$31,220,744**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,915,935
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$11,081,551
Applicable Fraction:	79.70%
Qualified Basis (Rehabilitation):	$10,293,410
Qualified Basis (Acquisition):	$8,831,490
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$349,976
Maximum Annual Federal Credit, Acquisition:	$300,271
Total Maximum Annual Federal Credit:	$650,247
Approved Developer Fee in Project Cost:	$2,500,000
Approved Developer Fee in Eligible Basis:	$1,972,000
Investor/Consultant:	NHT Equity, LLC
Federal Tax Credit Factor:	$0.87000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis	$23,997,486
Actual Eligible Basis:	$23,997,486
Unadjusted Threshold Basis Limit:	$36,111,240
Total Adjusted Threshold Basis Limit:	$46,222,387

Adjustments to Basis Limit:
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 28%

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 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 3.40% 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

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

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 Tax Credits/Annual	State Tax Credits/Total
$650,247	**$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 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 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 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.

Additional Conditions: The applicant/owner is required to provide the tenants with contracts for services onsite and contract with a bona fide service coordinator/social worker free of charge 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

Install either flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or install at least one high-efficiency toilet (1.3 gallons or less per flush) or dual flush toilets per unit;

For rehabilitation projects not subject to Title 24 requirements, use of fluorescent light fixtures for at least 75% of light fixtures or comparable energy lighting for the project's total lighting (including community rooms and any common space) throughout the compliance period; and

Include in the project plans a Construction Indoor Air Quality Management plan per the required CDLAC guidelines.