

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 Second Round
September 24, 2014

Project Number CA-14-111

Project Name Sutterview Apartments
 Site Address: 2526 L Street
 Sacramento, CA 95816 County: Sacramento
 Census Tract: 14.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$883,598	\$3,442,588
Recommended:	\$883,598	\$3,442,588

Applicant Information

Applicant: BRIDGE Housing Corporation
 Contact: Kevin Leichner
 Address: 345 Spear Street, Ste 700
 San Francisco, CA 94105
 Phone: (415) 989-1111 Fax: (415) 495-4898
 Email: kleichner@bridgehousing.com

General Partner(s) / Principal Owner(s): Winfield Hill, Inc.
 Sacramento Housing and Redevelopment Agency
 General Partner Type: Nonprofit
 Parent Company(ies): BRIDGE Housing Corporation
 Sacramento Housing and Redevelopment Agency
 Developer: BRIDGE Housing Corporation
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent(s): Housing Authority of the City of Sacramento

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 77
 No. & % of Tax Credit Units: 76 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-Based Vouchers (76 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	8	10 %
40% AMI:	16	20 %
50% AMI:	52	40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Captial and Northern Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

77 1-Bedroom Units
77 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 1 Bedroom	30%	30%	\$386
16 1 Bedroom	40%	40%	\$515
52 1 Bedroom	50%	50%	\$644
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$22,065,339
 Estimated Residential Project Cost: \$22,065,339

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$12,008,591
Seller Carryback Loan (Building)	\$6,350,000
Seller Carryback Loan (Land)	\$383,000
Deferred Costs	\$1,710,337
Tax Credit Equity	\$1,613,411

Residential

Construction Cost Per Square Foot: \$159
 Per Unit Cost: \$286,563

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$3,405,000
Seller Carryback Loan (Building)	\$6,350,000
Seller Carryback Loan (Land)	\$383,000
Operating Income	\$426,102
PV Energy Credit Equity	\$237,449
Tax Credit Equity	\$11,263,788
TOTAL	\$22,065,339

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$11,475,293
 130% High Cost Adjustment: No
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$11,475,293
 Applicable Rate: 7.70%
 Maximum Annual Federal Credit: \$883,598
 Total State Credit: \$3,442,588
 Approved Developer Fee in Project Cost: \$2,000,000
 Approved Developer Fee in Eligible Basis: \$1,400,000
 Investor/Consultant: California Housing Partnership Corporation
 Federal Tax Credit Factor: \$1.02444
 State Tax Credit Factor: \$0.64250

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:	\$11,475,293
Actual Eligible Basis:	\$19,647,699
Unadjusted Threshold Basis Limit:	\$12,868,702
Total Adjusted Threshold Basis Limit:	\$17,797,718

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Seismic Upgrading
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	63.202%

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 exceeds 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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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 requested and was granted a waiver for appliance requirements under TCAC Regulation Section 10325(f)(7)(F) to those applicances that do not come in Energy Star ratings. The applicant requested and was granted a waiver for the square footage requirements under TCAC Regulations Section 10325(g)(2)(E) for the one-bedroom units in the project.

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.

Local Reviewing Agency:

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, has completed a site review of this project and strongly 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
\$883,598

State Tax Credits/Total
\$3,442,588

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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. 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.

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 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)(6) 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.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Senior project within ¼ mile of daily operated senior center/facility	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: PV 50% common area load or 90% solar	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.