

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 18, 2015

Project Number CA-15-804

Project Name Anton Arcade Apartments
 Site Address: 2134 Butano Drive
 Sacramento, CA 95825 County: Sacramento
 Census Tract: 56.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,071,415	\$0
Recommended:	\$1,071,415	\$0

Applicant Information

Applicant: Arcade Sacramento L.P.
 Contact: Trisha Malone
 Address: 1415 L Street
 Sacramento, CA 95814
 Phone: (916) 400-2080 Fax: (916) 737-5136
 Email: tmalone@anton.co

General Partner(s) or Principal Owner(s): PacH Anton South Holdings, LLC
 Anton Arcade, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Pacific Housing, Inc.
 Anton Development Company, LLC
 Developer: Anton Development Company
 Investor/Consultant: US Bank Community Development Corp.
 Management Agent: St. Anton Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 148
 No. & % of Tax Credit Units: 147 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 30
 Number of Units @ or below 60% of area median income: 117

Bond Information

Issuer: Housing Authority of the County of Sacramento
 Expected Date of Issuance: March 31, 2015
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

41 1-Bedroom Units
 95 2-Bedroom Units
 12 3-Bedroom Units

 148 Total Units

Unit Type & Number	2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9 1 Bedroom	50%	50%	\$644
31 1 Bedroom	60%	60%	\$773
19 2 Bedrooms	50%	50%	\$773
76 2 Bedrooms	60%	60%	\$928
2 3 Bedrooms	50%	50%	\$893
10 3 Bedrooms	60%	60%	\$1,071
1 1 Bedroom	Manager's Unit	Manager's Unit	\$842

Project Financing

Estimated Total Project Cost: \$28,728,709
 Estimated Residential Project Cost: \$28,728,709

Construction Financing

Source	Amount
Citi Community Capital	\$15,500,000
Sacramento Housing Authority	\$5,200,000
Construction Period Income	\$828,708
Tax Credit Equity	\$5,000,000

Residential

Construction Cost Per Square Foot: \$124
 Per Unit Cost: \$194,113

Permanent Financing

Source	Amount
Citi Community Capital	\$10,160,000
Sacramento Housing Authority	\$5,200,000
Construction Period Income	\$543,013
Deferred Developer Fee	\$1,040,131
Tax Credit Equity	\$11,785,565
TOTAL	\$28,728,709

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,528,735
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$31,887,356
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$1,071,415
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	US Bank Community Development Corp.
Federal Tax Credit Factor:	\$1.10000

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:	\$24,528,735
Actual Eligible Basis:	\$24,528,735
Unadjusted Threshold Basis Limit:	\$32,796,101
Total Adjusted Threshold Basis Limit:	\$39,355,321

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: 20%

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 is below 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 3.36% of the qualified basis. 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 project's annual per unit operating expenses, in the amount of \$3,939, are slightly below the TCAC published minimum of \$4,300. Upon agreement of the equity investor and the permanent lender, the proposed annual per unit operating expense amount of \$3,939 may be utilized for underwriting as allowed by TCAC Regulations Section 10327(g)(1).

The project offers an option for tenants to (1) rent a washer and dryer for \$40 per month, (2) provide their own washer and dryer, or (3) use the onsite laundry facility. In addition, the project offers an option to rent a garage at \$95 per month, while carports and uncovered resident parking are available to tenants at no charge. The cost of the washer, dryer, and garages have been excluded from eligible basis.

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.

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
\$1,071,415	\$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 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 a reservation 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 the following service amenities 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:

- After school program on-site for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year

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 TCAC placed-in-service application is submitted:

- The project commits to becoming certified under the following program:
GreenPoint Rated Multifamily Guidelines