CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015

Sunrise Meadows Apartments, located at 11020 Colomma Road in Rancho Cordova, CA, requested and is being recommended for a reservation of $479,259 in annual federal tax credits to finance the acquisition and rehabilitation of 94 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Preservation Partners Development and will be located in Senate District 4 and Assembly District 8.

The project will be receiving rental assistance in the form of HUD Section 8 Project-Based Contract.

Project Number CA-15-893

Project Name	Sunrise Meadows Apartments	
Site Address:	11020 Colomma Road	
	Rancho Cordova, CA 95670	County: Sacramento
Census Tract:	89.070	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$479,259	$0
Recommended:	$479,259	$0

Applicant Information

Applicant:	Sac4 Preservation Partnership	
Contact:	William Szymczak	
Address:	21515 Hawthorne Blvd., Suite 390	
	Torrance, CA 90503	
Phone:	(310)802-6671	Fax: (310) 802-6680
Email:	bill@preservationpartners.org	

General Partner(s) or Principal Owner(s):	Sac4 Preservation Partners, LLC
	Sac4 Cornucopia, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Preservation Partners
	Cornucopia Services
Developer:	Preservation Partners Development
Investor/Consultant:	City Real Estate Advisors, Inc.
Management Agent:	Preservation Partners Management Group Inc.

Project Information

Construction Type:	Acquisition and Rehabilitation
Total # Residential Buildings:	13
Total # of Units:	95
No. & % of Tax Credit Units:	94 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Contract (44 units - 47%)
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 19
Number of Units @ or below 60% of area median income: 75

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	October 31, 2015
Credit Enhancement:	No

Information

Housing Type:	Large Family
Geographic Area:	Captial and Northern Region
TCAC Project Analyst:	Mayra Lozano

Unit Mix

45	1-Bedroom Units
50	2-Bedroom Units
95	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
25	1 Bedroom	60%	57%	$765
39	2 Bedrooms	60%	57%	$919
9	1 Bedroom	50%	50%	$670
10	2 Bedrooms	50%	50%	$805
11	1 Bedroom	60%	57%	$765
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$875

Project Cost Summary at Application

Land and Acquisition	$8,157,894
Construction Costs	$0
Rehabilitation Costs	$3,919,662
Construction Contingency	$399,466
Relocation	$651,050
Architectural/Engineering	$85,000
Construction Interest, Perm Financing	$478,175
Legal Fees, Appraisals	$167,500
Reserves	$215,069
Other Costs	$300,333
Developer Fee	$1,894,496
Commercial Costs	$0
Total	**$16,268,645**

Project Financing

Estimated Total Project Cost:	$16,268,645
Estimated Residential Project Cost:	$16,268,645

Residential

Construction Cost Per Square Foot:	$57
Per Unit Cost:	$171,249

Construction Financing

Source	Amount
Citibank - TE Bonds	$10,500,000
Citibank - Tranche B	$2,600,000
Deferred Developer Fee	$1,894,496
Tax Credit Equity	$1,274,149

Permanent Financing

Source	Amount
Citibank	$9,141,000
Net Operating Income	$231,000
Deferred Developer Fee	$1,864,425
Tax Credit Equity	$5,032,220
TOTAL	**$16,268,645**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,222,279
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$8,302,193
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,222,279
Qualified Basis (Acquisition):	$8,302,193
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$205,287
Maximum Annual Federal Credit, Acquisition:	$273,972
Total Maximum Annual Federal Credit:	$479,259
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,894,496
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	$1.05000

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:	$14,524,472
Actual Eligible Basis:	$14,524,472
Unadjusted Threshold Basis Limit:	$21,023,035
Total Adjusted Threshold Basis Limit:	$25,227,642

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 are below the minimum operating expenses established in the Regulations as allowed under regulation section 10327(g)(1). See the "Special Issues/Other Significant Information" section of this report below. The project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.30% 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 has an existing HUD Section 8 Project-Based contract for 44 of the affordable units (47%).

This project's annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $4,200. As allowed by Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $3,655 on agreement of the permanent lender and equity investor.

Local Reviewing Agency:

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, has completed a site review of this project and has no position in regards to 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**
$479,259	**$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 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 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 improve energy efficiency above the modeled energy consumption of the building(s) by a 25% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).