

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2016

Sierra Garden Apartments, located at 1801 Lake Tahoe Boulevard in South Lake Tahoe, requested and is being recommended for a reservation of \$485,912 in annual federal tax credits to finance the acquisition and rehabilitation of 75 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Development Group and is located in Senate District 1 and Assembly District 5.

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

Project Number CA-16-997

Project Name Sierra Garden Apartments
Site Address: 1801 Lake Tahoe Blvd.
 South Lake Tahoe, CA 96150 County: El Dorado
Census Tract: 304.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$485,912	\$0
Recommended:	\$485,912	\$0

Applicant Information

Applicant: SLTSG Apartment Investors, LP
Contact: David J. Michael
Address: 1820 W. Kettleman Lane, #D
 Lodi, CA 95242
Phone: 209-473-9705 Fax: 209-473-9710
Email: dave@pacificdg.com

General Partner(s) or Principal Owner(s): David J. Michael, Individually
 Community Revitalization and Development Corp.
 St. Joseph Community Land Trust

General Partner Type: Joint Venture

Parent Company(ies): David J. Michael, Individually
 Community Revitalization and Development Corp.
 St. Joseph Community Land Trust

Developer: Community Development Group

Investor/Consultant: Alden Torch

Management Agent: MBS Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 13
 Total # of Units: 76
 No. & % of Tax Credit Units: 75 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Contract (76 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 61
 Number of Units @ or below 60% of area median income: 14

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: March 1, 2017
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Lucy Vang

Unit Mix

24 1-Bedroom Units
 52 2-Bedroom Units

 76 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
24 1 Bedroom	50%	50%	\$651
37 2 Bedrooms	50%	50%	\$781
14 2 Bedrooms	60%	59%	\$925
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,500,000
Construction Costs	\$0
Rehabilitation Costs	\$3,922,726
Construction Contingency	\$392,273
Relocation	\$261,456
Architectural/Engineering	\$217,139
Const. Interest, Perm. Financing	\$390,750
Legal Fees, Appraisals	\$156,185
Reserves	\$323,759
Other Costs	\$328,954
Developer Fee	\$1,703,306
Commercial Costs	\$0
Total	\$14,196,548

Project Financing

Estimated Total Project Cost:	\$14,196,548
Estimated Residential Project Cost:	\$14,196,548
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$65
Per Unit Cost:	\$186,797
True Cash Per Unit Cost*:	\$182,222

Construction Financing

Source	Amount
Community Business Bank	\$7,560,952
City of South Lake Tahoe	\$4,360,059
Accrued Interest	\$15,320
Existing Reserves	\$161,000
Deferred Developer Fee	\$1,703,306
Tax Credit Equity	\$395,910

Permanent Financing

Source	Amount
Community Business Bank	\$4,064,678
City of South Lake Tahoe	\$4,360,059
Accrued Interest	\$15,320
Existing Reserves	\$161,000
Deferred Developer Fee	\$347,640
Tax Credit Equity	\$5,247,851
TOTAL	\$14,196,548

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,308,180
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,750,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,200,634
Qualified Basis (Acquisition):	\$6,750,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$266,521
Maximum Annual Federal Credit, Acquisition:	\$219,391
Total Maximum Annual Federal Credit:	\$485,912
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,703,306
Investor/Consultant:	Alden Torch
Federal Tax Credit Factor:	\$1.08000

Per Regulation Section 10322(h)(9)(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:	\$13,058,680
Actual Eligible Basis:	\$13,058,680
Unadjusted Threshold Basis Limit:	\$18,060,280
Total Adjusted Threshold Basis Limit:	\$32,689,107

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: 81%

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 3.25% 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: None

Local Reviewing Agency

The Local Reviewing Agency, City of South Lake Tahoe, 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	State Tax Credits/Total
\$485,912	\$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: None