

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

Project Number CA-2011-822

Project Name The Ridge Apartments
Site Address: 8151 Civic Center Drive
Elk Grove, CA 95757 County: Sacramento
Census Tract: 96.120

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,112,470	\$0
Recommended:	\$1,112,470	\$0

Applicant Information

Applicant: Ridge Elk Grove L.P.
Contact: Steven L. Eggert
Address: 1801 I Street, Suite 200
Sacramento, CA 95811
Phone: 916-444-9897 **Fax:** 916-444-9843
Email: sle@antonllc.com

General partner(s) or principal owner(s): Pacific Housing, Inc.
Anton Ridge, LLC
General Partner Type: Joint Venture
Developer: St. Anton Capital, LLC
Investor/Consultant: US Bank
Management Agent: St. Anton Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 9
Total # of Units: 204
No. & % of Tax Credit Units: 203 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: None
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 102
Number of Units @ or below 60% of area median income: 101

Information

Housing Type: Non-Targeted
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Gina Ferguson

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: April 2011
 Credit Enhancement: N/A

Unit Mix

60 1-Bedroom Units
 84 2-Bedroom Units
 60 3-Bedroom Units
 204 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
30 1 Bedroom	50%	50%	\$685
30 1 Bedroom	60%	60%	\$822
42 2 Bedrooms	50%	50%	\$822
40 2 Bedrooms	60%	60%	\$987
30 3 Bedrooms	50%	50%	\$950
30 3 Bedrooms	60%	60%	\$1,140
	Manager's Unit restricted to 60% AMI*	Manager's Unit	\$915
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$915

*See Special Issues/Other Significant Information below.

Project Financing

Estimated Total Project Cost: \$35,377,755 Construction Cost Per Square Foot: \$91
 Per Unit Cost: \$173,420

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America - Tax-Exempt Bonds	\$18,330,000	Bank of America - Tax-Exempt Bonds	\$12,880,000
City of Elk Grove	\$9,700,000	City of Elk Grove	\$9,700,000
Sacramento County Fee Waivers	\$725,000	Sacramento County Fee Waivers	\$725,000
NOI during lease up	\$942,009	NOI during lease up	\$942,009
Tax Credit Equity	\$3,180,746	Deferred Developer Fee	\$1,674,754
		Tax Credit Equity	\$9,455,992
		TOTAL	\$35,377,755

Determination of Credit Amount(s)

Requested Eligible Basis:	\$32,719,694
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$32,719,694
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$1,112,470
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	US Bank
Federal Tax Credit Factor:	\$0.85000

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:	\$32,719,694
Actual Eligible Basis:	\$32,719,694
Unadjusted Threshold Basis Limit:	\$46,318,800
Total Adjusted Threshold Basis Limit:	\$69,478,200

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: 50%

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 meet 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:

TCAC Regulation Section 10327(g)(1) requires 2 manager units for a project of this size. A condition of the regulatory agreement between the owner and the City of Elk Grove requires that one of the manager units be an income-restricted tax credit unit restricted to 60% Area Median Income (AMI). This requirement is reflected in the rent targeting table above.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Elk Grove, 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
\$1,112,470

State Tax Credits/Total
\$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 after school programs and educational classes 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.