

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 Second Round
September 23, 2015

Sutter Place, located at 5801 Sutter Avenue in Carmichael, CA, requested and is being recommended for a reservation of \$462,107 in annual federal tax credits and \$1,804,389 in total state tax credits to finance the acquisition and rehabilitation of 46 low-income units serving tenants with rents affordable to households earning 30-60% AMI% of area median income (AMI). The project will be developed by Domus Development, LLC and will be located in Senate District 4 and Assembly District 8.

The project is currently At-Risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-15-109

Project Name Sutter Place
Site Address: 5801 Sutter Avenue
Carmichael, CA 95608 County: Sacramento
Census Tract: 76.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$462,107	\$1,804,389
Recommended:	\$462,107	\$1,804,389

Applicant Information

Applicant: Sutter Place Apartments, L.P.
Contact: Monique Hastings
Address: 9 Cushing, Suite 200
Irvine, CA 92618
Phone: (949) 923-7805 **Fax:** (949) 585-0449
Email: mhastings@newportpartners.com

General Partner(s) / Principal Owner(s): AHCDC LOAP LLC
Domus GP LLC
General Partner Type: Joint Venture
Parent Company(ies): Affordable Housing CDC, Inc.
Domus Development, LLC
Developer: Domus Development, LLC
Investor/Consultant: Alliant Capital, LTD
Management Agent(s): Domus Management Company

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 47
 No. & % of Tax Credit Units: 46 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Project-Based Section 8 Contract (46 units - 100%) /
 HOME / CDBG

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI: 6 10 %
 40% AMI: 10 20 %
 50% AMI: 19 40 %

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

3 SRO/Studio Units
 44 1-Bedroom Units

 47 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	50%	50%	\$626
1 SRO/Studio	40%	40%	\$501
1 SRO/Studio	30%	30%	\$375
11 1 Bedroom	60%	60%	\$804
18 1 Bedroom	50%	50%	\$670
9 1 Bedroom	40%	40%	\$536
5 1 Bedroom	30%	30%	\$402
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,120,000
Construction Costs	\$0
Rehabilitation Costs	\$3,056,384
Construction Contingency	\$452,896
Relocation	\$100,000
Architectural/Engineering	\$161,692
Construction Interest, Perm Financing	\$465,171
Legal Fees, Appraisals	\$115,000
Reserves	\$206,354
Other Costs	\$614,098
Developer Fee	\$834,422
Commercial Costs	\$0
Total	\$9,126,017

Project Financing

Estimated Total Project Cost:	\$9,126,017
Estimated Residential Project Cost:	\$9,126,017

Residential

Construction Cost Per Square Foot:	\$79
Per Unit Cost:	\$194,171

Construction Financing

Source	Amount
Citibank	\$5,200,000
SHRA - HOME / CDBG	\$1,413,000
Construction Period Income	\$25,179
Deferred Costs / Fees	\$777,587
Tax Credit Equity	\$1,710,251

Permanent Financing

Source	Amount
Citibank - Tranche A	\$630,000
Citibank - Tranche B	\$1,080,000
SHRA - HOME / CDBG	\$1,570,000
Construction Period Income	\$25,179
Deferred Developer Fee	\$190,000
Tax Credit Equity	\$5,630,838
TOTAL	\$9,126,017

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,454,332
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,293,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,454,332
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$1,293,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$419,438
Maximum Annual Federal Credit, Acquisition:	\$42,669
Total Maximum Annual Federal Credit:	\$462,107
Total State Credit:	\$1,804,389
Approved Developer Fee (in Project Cost & Eligible Basis):	\$834,422
Investor/Consultant:	Alliant Capital, LTD
Federal Tax Credit Factor:	\$0.96471
State Tax Credit Factor:	\$0.65000

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:	\$6,747,332
Actual Eligible Basis:	\$8,037,332
Unadjusted Threshold Basis Limit:	\$8,190,196
Total Adjusted Threshold Basis Limit:	\$10,647,255

Adjustments to Basis Limit:

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

Tie-Breaker Information

First:	At-Risk
Second:	40.539%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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.

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 & Redevelopment Agency (SHRA), 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
\$462,107

State Tax Credits/Total
\$1,804,389

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	6
General Partner Experience	6	6	6
Management Experience	3	3	0
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 ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: Sustainable Building Mgmt Practices	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
Smoke Free Residence	2	2	2
Total Points	148	148	145

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.