

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2007

Project Number CA-2007-885

Project Name Natomas Family Apartments
Address: Southeast Corner of Del Paso Road and Gateway Park Boulevard
Sacramento, CA 95835 County: Sacramento

Applicant Information

Applicant: CIC Natomas, L.P., a California Limited Partnership
Contact: Wally Dieckmann
Address: 5993 Avenida Encinas, Suite 101
Carlsbad, CA 92008
Phone: (760) 456-6000 x103 Fax: (760) 756-6001
Sponsors Type: Joint Venture

Bond Information

Issuer: Housing Authority of the City of Sacramento
Expected Date of Issuance: November 1, 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$28,102,385
Requested: \$28,102,385
Maximum Permitted: \$54,918,389

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,278,658	\$0
Recommended:	\$1,278,658	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 135
Total # Residential Buildings: 5

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 134 units
55-Year Use/Affordability Restriction: Yes/No
Number of Units @ or below 30% of area median income: 47
Number of Units @ or below 50% of area median income: 44
Number of Units @ or below 55% of area median income: 43

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 One-Bedroom	55%	\$693
9 One-Bedroom	50%	\$630
11 One-Bedroom	30%	\$378
19 Two-Bedroom	55%	\$831
17 Two-Bedroom	50%	\$756
18 Two-Bedroom	30%	\$453
17 Three-Bedroom	55%	\$961
18 Three-Bedroom	50%	\$873
18 Three-Bedroom	30%	\$524
1 Three-Bedroom	Manager's Unit	\$0

The general partners or principal owners are Ajax-Natomas, LLC and Pacific Southwest Community Development Corporation.

The project developer is Ajax Development Services, LLC.

The management services will be provided by CIC Management, Inc.

The market analysis was provided by Novogradac and Company LLP.

The Local Reviewing Agency, the Sacramento Housing and Redevelopment Agency, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$29,288,790 Per Unit Cost: \$216,954 Construction Cost Per Sq. Foot: \$141

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Tax Exempt Bond Proceeds	\$17,259,366	Tax Exempt Bond Proceeds	\$4,432,000
City Fee Reduction	\$407,000	SHRA Loan	\$1,093,000
Sponsor Subordinate Loan	\$1,300,000	HCD MHP Loan	\$8,532,615
Deferred Developer Fee	\$1,488,424	City Fee Reduction	\$407,000
Investor Equity	\$8,834,000	Sponsor Subordinate Loan	\$1,300,000
		Deferred Developer Fee	\$867,175
		Investor Equity	\$12,657,000
		TOTAL	\$29,288,790

Determination of Credit Amount(s)

Requested Eligible Basis:	\$28,102,385
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$36,533,100
Applicable Rate:	3.60%
Maximum Annual Federal Credit:	\$1,278,658
Approved Developer Fee:	\$2,500,000
Tax Credit Factor:	\$0.9899

Applicant requests and staff recommends annual federal credits of \$1,278,658 based on a qualified basis of \$36,533,100 and a funding shortfall of \$12,657,000.

Cost Analysis and Line Item Review

The requested eligible basis \$28,102,385 is below TCAC's adjusted threshold basis limit \$54,918,389. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, projects that are required to pay state or federal prevailing wages and local development impact fees. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% 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: 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.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$1,278,658	\$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.

TCAC makes the 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 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.

Project Analyst: Anthony Zeto