

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2011

Project Number CA-2011-904

Project Name Kelsey Village
 Site Address: 2830 Stockton Boulevard
 Sacramento, CA 95817 County: Sacramento
 Census Tract: 18.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$209,957	\$0
Recommended:	\$209,957	\$0

Applicant Information

Applicant: Kelsey Village, L.P.
 Contact: Ryan Chao
 Address: 1521 University Avenue
 Berkeley, CA 94703
 Phone: (510) 647-0100 Fax: (510) 647-0820
 Email: rchao@sathomes.org

General partner(s) or principal owner(s): Satellite Kelsey Village, Inc.
 General Partner Type: Nonprofit
 Developer: Domus Development, LLC
 Investor/Consultant: Alliant Capital, LTD
 Management Agent: Domus Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 20
 No. & % of Tax Credit Units: 19 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HUD Section 811 Capital Advance /
 HUD Section 811 Project Rental Assistance (45% - 9 units)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 19

Bond Information

Issuer: Housing Authority of the City of Sacramento
 Expected Date of Issuance: January 2012
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Gina Ferguson

Unit Mix

18 1-Bedroom Units
 2 2-Bedroom Units

 20 Total Units

Unit Type & Number	2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10 1 Bedroom	50%	48%	\$678
8 1 Bedroom	50%	33%	\$468
1 2 Bedrooms	50%	34%	\$580
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$977

Project Financing

Estimated Total Project Cost: \$5,864,226

Residential

Construction Cost Per Square Foot: \$142
 Per Unit Cost: \$293,211

Construction Financing

Permanent Financing

Source	Amount	Source	Amount
Wells Fargo Bank	\$3,125,000	HUD Section 811 Capital Advance	\$1,329,500
SHRA	\$1,575,000	HUD PRAC Grant*	\$26,000
HA of the City of Sacramento (land)	\$295,000	SHRA	\$2,100,000
Deferred Costs & Developer Fee	\$580,726	HA of the City of Sacramento (land)	\$295,000
Tax Credit Equity	\$288,500	General Partner Equity	\$153,006
HA of the City of Sacramento (land)		Tax Credit Equity	\$1,960,720
		TOTAL	\$5,864,226

*PRAC = Project Rental Assistance Contract

Determination of Credit Amount(s)

Requested Eligible Basis: \$4,894,097
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$6,362,326
 Applicable Rate: 3.40%
 Total Maximum Annual Federal Credit: \$209,957
 Approved Developer Fee (in Project Cost & Eligible Basis): \$638,360
 Investor/Consultant: Alliant Capital, LTD
 Federal Tax Credit Factor: \$0.93387

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:	\$4,894,097
Actual Eligible Basis:	\$4,894,097
Unadjusted Threshold Basis Limit:	\$3,722,840
Total Adjusted Threshold Basis Limit:	\$7,817,964

Adjustments to Basis Limit:

- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.40% 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:

HUD Section 811 Supportive Housing for Persons with Disabilities Program funding is for 8 one-bedroom units and 1 two-bedroom unit for 9 persons with developmental disabilities and 1 two-bedroom unit for a resident manager. The resident manager unit is required under the HUD program but is not an affordable rent restricted unit.

Local Reviewing Agency:

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, 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
\$209,957	\$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 a bona fide service coordinator/social worker 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.