

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 18, 2011**

Project Number CA-2011-836

Project Name Amanda Park Senior Apartments
Site Address: 24425 Skyview Ridge Drive
Murrieta, CA 92562 County: Riverside
Census Tract: 432.060

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,245,547	\$0
Recommended:	\$1,245,547	\$0

Applicant Information

Applicant: Amanda Park Apartments, LP
Contact: Geoffrey C. Brown
Address: 2440 Professional Drive, Suite 100
Roseville, CA 95661
Phone: 916-724-3801 Fax: 916-773-5866
Email: gbrown@usapropfund.com

General partner(s) or principal owner(s): USA Amanda Park, Inc.
Riverside Charitable Corporation
General Partner Type: Joint Venture
Developer: USA Multifamily Development, Inc
Investor/Consultant: RBC Capital Markets
Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 25
Total # of Units: 397
No. & % of Tax Credit Units: 336 85.48%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 40
Number of Units @ or below 60% of area median income: 296

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: July 21, 2011
 Credit Enhancement: Fannie Mae

Information

Housing Type: Seniors
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

200 1-Bedroom Units
 197 2-Bedroom Units

 397 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>
20 1 Bedroom	50%	50%	\$609
150 1 Bedroom	60%	60%	\$731
15 2 Bedrooms	50%	50%	\$731
109 2 Bedrooms	60%	55%	\$798
5 2 Bedrooms	50%	50%	\$731
37 2 Bedrooms	60%	60%	\$877
15 1 Bedroom	Market Rate	Market Rate	\$805
7 1 Bedroom	Market Rate	Market Rate	\$830
7 1 Bedroom	Market Rate	Market Rate	\$855
11 2 Bedrooms	Market Rate	Market Rate	\$925
4 2 Bedrooms	Market Rate	Market Rate	\$950
5 2 Bedrooms	Market Rate	Market Rate	\$975
4 2 Bedrooms	Market Rate	Market Rate	\$955
2 2 Bedrooms	Market Rate	Market Rate	\$980
2 2 Bedrooms	Market Rate	Market Rate	\$1,055
1 1 Bedroom	Manager's Unit	Manager's Unit	\$855
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$950

Project Financing

Estimated Total Project Cost:	\$47,798,673
Estimated Residential Project Cost:	\$47,764,185
Estimated Commercial Project Cost:	\$34,488

Residential

Construction Cost Per Square Foot:	\$21
Per Unit Cost:	\$120,313

Construction Financing

Source	Amount
Citibank, N.A.	\$28,850,000
USA Prop. - Private Bond Purchase	\$2,700,000
Net Income from Operations	\$3,812,382
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$9,936,291

Permanent Financing

Source	Amount
Citibank, N.A.	\$28,850,000
USA Prop.-Private Bond Purchase	\$2,700,000
Net Income from Operations	\$3,812,382
IRS - Solar Credit Grant Program	\$525,000
Deferred Developer Fee	\$1,324,125
Tax Credit Equity	\$10,587,166
TOTAL	\$47,798,673

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,971,947
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$32,495,693
Applicable Fraction:	85.48%
Qualified Basis (Rehabilitation):	\$8,859,088
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$27,778,389
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$301,178
Maximum Annual Federal Credit, Acquisition:	\$944,369
Total Maximum Annual Federal Credit:	\$1,245,547
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	RBC Capital Markets
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:	\$40,467,640
Actual Eligible Basis:	\$40,467,640
Unadjusted Threshold Basis Limit:	\$81,267,200
Total Adjusted Threshold Basis Limit:	\$89,393,920

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: 10%

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: This project is the re-syndication of an existing 4% tax credit senior project, CA-1995-908, that has 47% market rate units and 53% tax credit units. This project will increase the percentage/number of tax credit units from 53%/208 units to 85%/336 units.

The project has received waivers for the minimum construction standards under regulation section 10326(g)(6) as described more fully by reference in regulation sections 10325(f)(7)(D), (E), and (G) through (K) for the roofs, exterior doors, window coverings, water heating system, floor coverings, and low-VOC paints and stains, as supported by the physical needs assessment. However, future, on-going remodeling/rehabilitation work as part of typical apartment maintenance/repair/unit-turnover is still required to meet the waived minimum construction standards as these items are replaced or repaired.

The applicant's estimate of contractor overhead, profit and general requirement costs and eligible basis exceeds the 14% limitation of regulation section 10327(c)(1). The applicant is cautioned that any costs or eligible basis that exceed the 14% limit at the final review prior to the issuance of IRS 8609 tax forms will not be allowed and may result in a reduction to the final award of tax credits.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Murrieta, 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
\$1,245,547	\$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 educational classes and contract for services 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: 1) a rehabilitation project not subject to Title 24 that reduces energy use on a per square foot basis by 25% as calculated using a methodology approved by the California Energy Commission; 2) water saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less); 3) formaldehyde-free insulations; 4) use of florescent light fixtures for at least 75% of the fixtures or comparable energy saving lighting for the project's total lighting (including community rooms and any common space) throughout the compliance period.