

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 21, 2014**

Project Number CA-14-856

Project Name Tierra Springs Apartments
Site Address: Site #1 - 786 Kawana Springs Road
Site #2 - 1665 Aston Avenue
Santa Rosa, CA 95404 County: Sonoma

Census Tract: Site #1 - 1514.02
Site #2 - 1514.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$736,031	\$0
Recommended:	\$736,031	\$0

Applicant Information

Applicant: Tierra Springs Apartments, L.P.
Contact: Geoffrey C. Brown
Address: 3200 Douglas Blvd., Suite 200
Roseville, CA 95661

Phone: (916) 724-3836 **Fax:** (916) 786-8150
Email: gbrown@usapropfund.com

General Partners/Principal Owners: USA Tierra Springs, Inc.
Riverside Charitable Corporation

General Partner Type: Joint Venture

Parent Company(ies): USA Properties Fund, Inc.
Riverside Charitable Corporation

Developer: USA Multifamily Housing, Inc.

Investor/Consultant: WNC & Associates, Inc.

Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 7

Total # of Units: 66

No. & % of Tax Credit Units: 64 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt/HOME/CDBG

HCD MHP Funding: No

55-Year Use/Affordability: Yes

Number of Units @ or below 35% of area median income: 5

Number of Units @ or below 50% of area median income: 10

Number of Units @ or below 60% of area median income: 49

Bond Information

Issuer: City of Santa Rosa
 Expected Date of Issuance: June 24, 2014
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

28 1-Bedroom Units
 24 2-Bedroom Units
14 3-Bedroom Units
 66 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$433
1 1 Bedroom	50%	50%	\$721
13 1 Bedroom	60%	60%	\$866
2 2 Bedrooms	30%	30%	\$519
2 2 Bedrooms	50%	50%	\$866
7 2 Bedrooms	60%	60%	\$1,039
1 3 Bedrooms	30%	30%	\$600
3 3 Bedrooms	50%	50%	\$1,000
10 3 Bedrooms	60%	60%	\$1,200
2 1 Bedroom	50%	50%	\$721
10 1 Bedroom	60%	60%	\$866
2 2 Bedrooms	50%	50%	\$866
9 2 Bedrooms	60%	60%	\$1,039
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$996

Project Financing

Estimated Total Project Cost: \$19,723,693
 Estimated Residential Project Cost: \$19,723,693

Residential

Construction Cost Per Square Foot: \$180
 Per Unit Cost: \$298,844

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bonds	\$11,000,000
City of Santa Rosa	\$3,707,386
Seller Carryback Loan	\$1,450,646
Tax Credit Equity	\$3,565,661

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$4,400,000
City of Santa Rosa	\$5,357,386
Seller Carryback Loan	\$1,450,646
Developer Equity	\$700,000
Deferred Developer Fee	\$602,557
Tax Credit Equity	\$7,213,104
TOTAL	\$19,723,693

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,850,527
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis :	\$21,905,685
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$736,031
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,197,895
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.98000

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:	\$16,850,527
Actual Eligible Basis:	\$16,850,527
Unadjusted Threshold Basis Limit:	\$18,080,632
Total Adjusted Threshold Basis Limit:	\$25,468,552

Adjustments to Basis Limit:

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 15%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 14%

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 are below the minimum operating expenses established in the Regulations (see Special Issues/Other Significant Information), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.36% 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: The project's annual per unit operating expenses of \$4,585 are below the TCAC published minimum of \$5,200. Upon agreement of the equity investor and the permanent lender, the proposed annual per unit operating expense amount of \$4,585 may be utilized for underwriting as allowed by TCAC Regulations Section 10327(g)(1).

Local Reviewing Agency:

The Local Reviewing Agency, Housing Authority of the City of Santa Rosa, 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
\$736,031	\$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 a reservation 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: None