

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 20, 2015**

**Project Number** CA-15-844

**Project Name** Avenida Crossing Apartments  
 Site Address: 2317 West Avenue J-8  
 Lancaster, CA 93536 County: Los Angeles  
 Census Tract: 9010.090

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$375,884	\$0
Recommended:	\$375,884	\$0

**Applicant Information**

Applicant: Lancaster 637, L.P.  
 Contact: Geoffrey C. Brown  
 Address: 3200 Douglas Blvd., Suite 200  
 Roseville, CA 95661  
 Phone: (916) 724-3801 Fax: (916) 786-8150  
 Email: gbrown@usapropfund.com

General Partner(s) or Principal Owner(s): USA Lancaster 637, Inc.  
 Riverside Charitable Corporation  
 General Partner Type: Joint Venture  
 Parent Company(ies): USA Properties Fund, Inc.  
 Riverside Charitable Corporation  
 Developer: USA Properties Fund, Inc.  
 Investor/Consultant: Boston Financial Investment Management  
 Management Agent: USA Multifamily Management, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 15  
 Total # of Units: 77  
 No. & % of Tax Credit Units: 76 100.00%  
 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: 76

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: June 25, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Connie Harina

**Unit Mix**

9 2-Bedroom Units  
 54 3-Bedroom Units  
 14 4-Bedroom Units  


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 77 Total Units

<b>Unit Type &amp; Number</b>	<b>2015 Rents Targeted % of Area Median Income</b>	<b>2015 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
9 2 Bedrooms	40%	39%	\$734
23 3 Bedrooms	40%	39%	\$848
30 3 Bedrooms	50%	49%	\$1,060
6 4 Bedrooms	40%	39%	\$946
8 4 Bedrooms	50%	49%	\$1,182
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,002

**Project Cost Summary at Application**

Land and Acquisition	\$7,470,000
Construction Costs	\$0
Rehabilitation Costs	\$2,007,426
Construction Contingency	\$200,743
Relocation	\$0
Architectural/Engineering	\$53,500
Construction Interest, Perm Financing	\$801,164
Legal Fees, Appraisals	\$5,000
Reserves	\$194,322
Other Costs	\$236,919
Developer Fee	\$1,373,046
Commercial Costs	\$0
<b>Total</b>	<b>\$12,342,120</b>

**Project Financing**

Estimated Total Project Cost:	\$12,342,120
Estimated Residential Project Cost:	\$12,342,120

**Residential**

Construction Cost Per Square Foot:	\$20
Per Unit Cost:	\$160,287

**Construction Financing**

Source	Amount
Citibank	\$9,000,000
Seller Carryback Note	\$620,000
Net Operating Income	\$154,584
Tax Credit Equity	\$2,373,215

**Permanent Financing**

Source	Amount
Citibank	\$5,430,000
Citibank Subordinate Loan	\$1,540,000
Seller Carryback Note	\$620,000
Net Operating Income	\$577,155
Deferred Developer Fee	\$528,891
Tax Credit Equity	\$3,646,074
<b>TOTAL</b>	<b>\$12,342,120</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$2,879,185
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,647,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,742,941
Qualified Basis (Acquisition):	\$7,647,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$123,516
Maximum Annual Federal Credit, Acquisition:	\$252,368
Total Maximum Annual Federal Credit:	\$375,884
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,373,046
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.97000

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:	\$10,526,685
Actual Eligible Basis:	\$10,526,685
Unadjusted Threshold Basis Limit:	\$27,541,990
Total Adjusted Threshold Basis Limit:	\$55,042,983

**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: 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 3.30% 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 a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Avenida Crossing Apartments CA-96-092, which is under a 55-year TCAC extended use agreement.

The applicant has requested and been granted a waiver to the unit value ratio for four studio tax credit units as allowed in TCAC Regulation Section 10325(f)(1)(B)(ii).

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of Lancaster, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$375,884</b>	<b>\$0</b>

**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:**

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 TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.