

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 20, 2008

Project Number CA-2008-886

Project Name Terracina at Elk Grove Apartments
Address: 9440 W. Stockton Blvd.
Elk Grove, CA 95758

County: Sacramento

Applicant Information

Applicant: Terracina Elk Grove, L.P.
Contact Geoffrey C. Brown
Address: 2440 Professional Drive
Roseville, CA 95661
Phone: (916) 724-6060
Sponsors Type: Joint Venture

Fax: (916) 773-5866

Bond Information

Issuer: ABAG
Expected Date of Issuance: October 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$11,770,044
Requested: \$11,770,044
Maximum Permitted: \$42,084,045

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 2% of Low-Income Units are Income Targeted at 35%
AMI or below: 29%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$450,344	\$0
Recommended:	\$450,344	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 124
Total # Residential Buildings: 12

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 122 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 35
Number of Units @ or below 60% of area median income: 87

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 One-Bedroom	35%	\$468
33 One-Bedroom	60%	\$798
8 Two-Bedroom	35%	\$535
3 Two-Bedroom	55%	\$869
30 Two-Bedroom	60%	\$957
20 Three-Bedroom	35%	\$590
21 Three-Bedroom	60%	\$1,107
2 Three-Bedroom	Manager's Unit	\$0

The general partners or principal owners are USA Elk Grove, Inc. and Riverside Charitable Corporation.

The project developer is USA Multifamily Development, Inc.

The management services will be provided by USA Multifamily Management Inc.

The market analysis was provided by M.E. Shay & Co.

The Local Reviewing Agency, the City of Elk Grove, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$13,974,971 Per Unit Cost: \$112,701 Construction Cost Per Sq. Foot: \$28

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank – Tax Exempt Bonds	\$7,600,000	Wells Fargo Bank	\$5,360,000
HCD/RHCP	\$3,645,664	HCD/RHCP	\$3,645,664
NOI	\$221,642	NOI	\$221,642
Deferred Costs	\$1,205,174	Developer Note	\$740,000
Investor Equity	\$1,302,491	Tax Credit Equity	\$4,007,665
		TOTAL	\$13,974,971

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$4,404,551
Requested Acquisition Eligible Basis:	\$7,365,493
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,725,916
Qualified Acquisition Basis:	\$7,365,493
Applicable Rate:	3.44%
Maximum Annual Federal Rehabilitation Credit:	\$196,972
Maximum Annual Federal Acquisition Credit:	\$253,372
Total Maximum Annual Federal Credit:	\$450,344
Approved Developer Fee:	\$1,200,000
Tax Credit Factor: Union Bank	\$0.8899

Applicant requests and staff recommends annual federal credits of \$450,344, based on a qualified rehabilitation basis of \$5,725,916, a qualified acquisition basis of \$7,365,493, and a funding shortfall of \$4,007,665.

Cost Analysis and Line Item Review

The requested eligible basis \$11,770,044 is below TCAC's adjusted threshold basis limit \$42,084,045. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction for projects where each 2% of low-income units are income targeted at 35% AMI & below, 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 3.44% 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: None

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

Federal/Annual	State/Total
\$450,344	\$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 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 tenants with after school programs of an ongoing nature and provide Educational classes (such as English as a Second Language classes, computer training, etc.), but which are not the same as after school programs, 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: Velia Martinez