

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 22, 2009

Project Number CA-2009-860

Project Name Vintage Oaks Senior Apartments
Address: 7340 Stock Ranch Road
Citrus Heights, CA 95621 **County:** Sacramento

Applicant Information

Applicant: Vintage Oaks Senior Apartments, L.P.
Contact Geoffrey C. Brown
Address: 2440 Professional Drive
Roseville, CA 95661
Phone: (916) 724-3801 **Fax:** (916) 773-5866
Email: gbrown@usapropfund.com
Sponsors Type: For Profit

Information

Housing Type: Seniors

Bond Information

Issuer: Association of Bay Area Governments (ABAG)
Expected Date of Issuance: December 2009
Credit Enhancement: Freddie Mac

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$782,385	\$0
Recommended:	\$782,385	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 241
Total # Residential Buildings: 18
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 240 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 120
Number of Units @ or below 60% of area median income: 120

Eligible Basis

Actual: \$22,356,087
Requested: \$22,356,087
Maximum Permitted: \$68,695,440

Adjustments to Threshold Basis Limit:

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

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
120 One-bedroom Units	50%	50%	\$682
18 One-bedroom Units	60%	53%	\$719
54 One-bedroom Units	60%	60%	\$819
17 Two-bedroom Units	60%	51%	\$832
31 Two-bedroom Units	60%	60%	\$982
1 Two-bedroom Unit	Manager's Unit	Manager's Unit	\$0

The general partner(s) or principal owner(s) are USA Vintage Oaks, 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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Project Financing

Estimated Total Project Cost: \$25,768,827 Per Unit Cost: \$106,925 Construction Cost Per Sq. Foot: \$46

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank N.A. - Tax Exempt Bonds	\$14,070,000	Citibank N.A. - Tax Exempt Bonds	\$15,520,000
SMUD - Solar Rebate Program	\$944,142	SMUD - Solar Rebate Program	\$1,187,000
Seller Carryback Note	\$1,000,000	IRS - Solar Credit Grant Program	\$1,300,000
Citi Letter of Credit	\$1,000,000	Accrued Net Operating Incom	\$1,116,193
Deferred fees and costs	\$3,473,587	Deferred Developer Fee	\$777,748
Investor Equity	\$5,281,097	Investor Equity	\$5,867,886
		TOTAL	\$25,768,827

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$8,689,500
Requested Acquisition Eligible Basis:	\$13,666,587
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$8,689,500
Qualified Acquisition Basis:	\$13,666,587
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$304,113
Maximum Annual Federal Acquisition Credit:	\$478,272
Total Maximum Annual Federal Credit:	\$782,385
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor:	Boston Capital
Federal Tax Credit Factor:	\$0.75

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitation with the exception of the contractor profit, overhead and general requirement costs as explained in the Special Issues section of this report below. 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 3.50% 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: The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The applicant has requested that the utility allowance be determined based on average utility usage provided by local utility companies. TCAC is in the process of verifying the documentation submitted. In the event this issue is not resolved, the current utility allowance of the applicable public housing authority will be utilized.

Vintage Oak Senior Apartments is an existing tax credit project with a 55 year regulatory agreement in place (TCAC ID CA-1992-161).

Waivers for two of TCAC's minimum construction standards (20 year roof warranty and 100% exterior doors replaced) have been requested.

Recommendation: Staff recommends that the Committee make a 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
\$782,385

State Tax Credits/Total
\$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 the tenants with educational classes and contracts for onsite 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.

Project Analyst: Gina Ferguson