CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 27, 2010

Project Number CA-2010-837

Project Name Terracina at Cathedral City
Site Address: 69175 Converse Road
Cathedral City, CA 92234 County: Riverside
Census Tract: 449.160

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$257,728	$0
Recommended:	$257,728	$0

Applicant Information

Applicant:	Terracina Cathedral City Apartments, L.P.		
Contact:	Catherine Orr		
Address:	2440 Professional Drive		
	Roseville, CA 95561		95661
Phone:	916-724-3938	Fax:	916-773-5866
Email:	corr@usapropfund.com		

General partner(s) or principal owner(s):	USA Terracina Cathedral City, Inc.
	Riverside Charitable Corporation
General Partner Type:	Joint Venture
Developer:	USA Multifamily Development, Inc
Investor/Consultant:	WNC & Associates, Inc.
Management Agent:	USA Multifamily Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	10
Total # of Units:	80
No. & % of Tax Credit Units:	79 100%
Federal Set-Aside Elected:	40%/60% Test
Federal Subsidy:	Tax Exempt
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	32
Number of Units @ or below 60% of area median income:	47

Information

Housing Type:	Large Family
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	DC Navarrette

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	12/21/2010
Credit Enhancement:	Freddie Mac

Unit Mix

1	1-Bedroom Units
47	2-Bedroom Units
30	3-Bedroom Units
2	4-Bedroom Units
80	Total Units

Unit Type & Number		2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	60%	60%	$730
20	2 Bedrooms	50%	50%	$731
27	2 Bedrooms	60%	58%	$842
10	3 Bedrooms	50%	50%	$845
19	3 Bedrooms	60%	58%	$979
2	4 Bedrooms	50%	50%	$942
1	3 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing

Estimated Total Project Cost:	$7,745,155	Construction Cost Per Square Foot:	$21
		Per Unit Cost:	$96,814

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	$4,902,326	Citibank	$4,900,000
Net Operating Income	$897,345	Net Operating Income	$519,857
Deferred Contractor Fee	$470,809	Deferred Developer Fee	$315,018
Deferred Developer Fee	$1,351,546	Tax Credit Equity	$2,010,280
Tax Credit Equity	$123,129	**TOTAL**	**$7,745,155**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$2,636,139
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$4,243,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$3,426,981
Qualified Basis (Acquisition):	$4,243,500
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$113,449
Maximum Annual Federal Credit, Acquisition:	$144,279
Total Maximum Annual Federal Credit:	$257,728
Approved Developer Fee (in Project Cost & Eligible Basis):	$897,344
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	$0.78000

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:	$6,879,639
Actual Eligible Basis:	$6,879,639
Unadjusted Threshold Basis Limit:	$19,954,144
Total Adjusted Threshold Basis Limit:	$27,935,802

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: 40%

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. 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

Local Reviewing Agency:
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.

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
$257,728	**$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 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

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 new construction or adaptive reuse project that exceeds Title 24 energy standards by at least 10%, or 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) a) Flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or b) At least one high efficiency toilet (1.3 gallons per flush) or dual flush toilets per unit.
3) a) No VOC interior paint (5 grams per liter or less), Carpet/Rug Instituge Green-Label, low-VOC carpeting and pad and low-VOC adhesive (25 grams per liter or less) or b) Bathroom fans in all bathrooms that exhaust to
4) Project will contain nonsmoking buildings or sections of buildings. Nonsmoking sections must consist of at least half the units within the building, and those units must be contiguous.