

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

Project Number CA-2010-838

Project Name Las Serenas Senior Apartments
Site Address: 2090 Yosemite Avenue
Simi Valley, CA 93063 County: Ventura
Census Tract: 83.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$335,108	\$0
Recommended:	\$335,108	\$0

Applicant Information

Applicant: Las Serenas 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

General partner(s) or principal owner(s): USA Las Serenas, Inc.
Riverside Charitable Corporation
General Partner Type: Joint Venture
Developer: USA Multi-family Development, Inc
Investor/Consultant: WNC & Associates, Inc.
Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: Acquisition / Rehabilitation
Total # Residential Buildings: 12
Total # of Units: 108
No. & % of Tax Credit Units: 107 100%
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: 22
Number of Units @ or below 60% of area median income: 85

Information

Housing Type: Seniors
Geographic Area: Central Coast Region
TCAC Project Analyst: Benjamin Schwartz

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: 12/21/2010
 Credit Enhancement: Funded Forward Commitment for Direct Pay Credit Enhancement

Unit Mix

96 1-Bedroom Units
 11 2-Bedroom Units

 107 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 1 Bedroom	50%	48%	\$780
76 1 Bedroom	60%	57%	\$927
2 2 Bedrooms	50%	50%	\$976
9 2 Bedrooms	60%	52%	\$1,006
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$11,075,954 Construction Cost Per Square Foot: \$31
 Per Unit Cost: \$102,555

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$7,170,000	Citibank, N.A.	\$7,170,000
City of Simi Valley	\$230,000	City of Simi Valley	\$230,000
Las Serenas Senior Apartments, L.P.	\$666,382	Las Serenas Senior Apartments, L.P.	\$504,073
USA Construction Management, Inc.	\$151,114	Deferred Developer Fee	\$558,035
Deferred Developer Fee	\$1,173,032	Tax Credit Equity	\$2,613,846
Tax Credit Equity	\$1,685,426	TOTAL	\$11,075,954

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,267,397
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,725,850
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,247,616
Qualified Basis (Acquisition):	\$5,725,850
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$140,429
Maximum Annual Federal Credit, Acquisition:	\$194,679
Total Maximum Annual Federal Credit:	\$335,108
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,173,032
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	\$8,993,247
Actual Eligible Basis:	\$8,993,247
Unadjusted Threshold Basis Limit:	\$23,044,608
Total Adjusted Threshold Basis Limit:	\$27,704,410

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: 20%

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: The applicant’s estimate of the contractor’s profit, overhead and general requirement costs exceed the limits established by regulation. At final review prior to the issuance of the IRS 8609 tax forms, any costs and basis in excess of the limit will not be allowed.

Local Reviewing Agency:

The Local Reviewing Agency, City of Simi Valley, 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
\$335,108	\$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 and contracts for 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.

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: Use of water-saving fixtures or flow restrictors in the kitchen and bathrooms, use of no-VOC interior paint, and the 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.