

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 14, 2012

Project Number CA-12-900

Project Name Vintage at Stonehaven Apartments
Site Address: 5303 Stonehaven Drive
Yorba Linda, CA 92877 County: Orange
Census Tract: 218.250

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$567,241	\$0
Recommended:	\$567,241	\$0

Applicant Information

Applicant: Yorba Linda 610, L.P.
Contact: Geoffrey C. Brown
Address: 2440 Professional Drive
Roseville, CA 95661
Phone: 916.724.3836 Fax: 916.773.5866
Email: gbrown@usapropfund.com

General partner(s) or principal owner(s): USA Yorba Linda 610, Inc.
Riverside Charitable Corporation
General Partner Type: Joint Venture
Developer: USA Multi-Family Development, Inc.
Investor/Consultant: Boston Financial Investment Management
Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 7
Total # of Units: 125
No. & % of Tax Credit Units: 124 100%
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: 32
Number of Units @ or below 60% of area median income: 92

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: December 13, 2012
 Credit Enhancement: HUD/FHA Risk Share

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: Jack Waegell

Unit Mix

100 1-Bedroom Units
 25 2-Bedroom Units

 125 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 1 Bedroom	50%	43%	\$771
15 1 Bedroom	50%	47%	\$843
75 1 Bedroom	60%	60%	\$1,084
2 2 Bedrooms	50%	44%	\$963
5 2 Bedrooms	50%	50%	\$1,083
17 2 Bedrooms	60%	60%	\$1,300
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,253

Project Financing

Estimated Total Project Cost: \$22,414,218
 Estimated Residential Project Cost: \$22,414,218

Residential

Construction Cost Per Square Foot: \$34
 Per Unit Cost: \$179,314

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CalHFA Preservation Program	\$13,650,000	CalHFA Preservation Program	\$13,650,000
Seller Carryback Loan	\$1,000,000	Seller Carryback Loan	\$1,000,000
City of Yorba Linda	\$518,181	City of Yorba Linda	\$518,181
Income from Operations	\$932,760	Income from Operations	\$932,761
Deferred Developer Fee	\$2,190,594	Deferred Developer Fee	\$768,495
Tax Credit Equity	\$4,122,683	Tax Credit Equity	\$5,544,781
		TOTAL	\$22,414,218

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,052,554
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$12,742,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,268,320
Qualified Basis (Acquisition):	\$12,742,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$159,497
Maximum Annual Federal Credit, Acquisition:	\$407,744
Total Maximum Annual Federal Credit:	\$567,241
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,190,594
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.97750

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:	\$16,794,554
Actual Eligible Basis:	\$16,794,554
Unadjusted Threshold Basis Limit:	\$23,997,000
Total Adjusted Threshold Basis Limit:	\$29,996,250

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: 25%

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 are below the minimum operating expenses established in the Regulations as allowed under regulation section 10327(g)(1), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.20% 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 the re-syndication of an existing tax credit project known as Victoria Woods Senior Apartments, CA-97-972.

This project has received waivers of the Minimum Construction Standards under regulation section 10326(g)(6), as described in regulation section 10325(f)(7), for the following items listed by the regulation section 10325(f)(7) subsections: (C) landscaping, (D) roofs, (E) exterior doors, and (K) insulation.

The project's estimated operating expenses at \$3,400 per unit per year are 15% below the TCAC operating expense minimum of \$4,000 per unit per year as permitted under regulation section 10327(g)(1) on concurrence by the equity investor and the permanent lender.

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
\$567,241	\$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 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 provide the tenants with the following service amenities 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:

- Instructor-led educational classes, health and wellness classes, or skill-building classes, provided on site.
- A full-time equivalent, bona fide service coordinator/social worker provided on site.

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:

- This project will be rehabilitated to improve energy efficiency to reduce energy use by at least 30% from the modeled energy consumption of the building(s) based on existing conditions, and on the building(s) percentage decrease in the estimated annual energy use (or improvement in energy efficiency) in the building's Home Energy Rating System II (HERS II) rating post-rehabilitation.