

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2011 First Round**  
**June 22, 2011**

**Project Number** CA-2011-841

**Project Name** Vintage at Laguna II Senior Apartments  
 Site Address: 9204 Big Horn Blvd  
 Elk Grove, CA 95758  
 Census Tract: 96.130

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$403,450	\$1,542,602
Recommended:	\$403,450	\$1,412,735

**Applicant Information**

Applicant: Laguna Seniors II, L.P.  
 Contact: Geoffrey C. Brown  
 Address: 2440 Professional Drive, Suite 100  
 Roseville, CA 95661  
 Phone: (916) 724-3836 Fax: (916) 773-5866  
 Email: gbrown@usapropfund.com

General partner(s) or principal owner(s): USA Laguna Seniors II, Inc.  
 Life Skills Training and Education Programs, Inc.  
 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: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 69  
 No. & % of Tax Credit Units: 68 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 Affordability Breakdown by % (Lowest Income Points):  
 30% AMI: 10 %  
 45% AMI: 10 %  
 50% AMI: 30 %

**Bond Information**

Issuer: ABAG Finance Authority  
 Expected Date of Issuance: August 2011  
 Credit Enhancement: Freddie Mac

**Information**

Set-Aside: N/A  
 Housing Type: Seniors  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

45 1-Bedroom Units  
 24 2-Bedroom Units  


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 69 Total Units

<u>Unit Type &amp; 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>
4 1 Bedroom	30%	30%	\$411
5 1 Bedroom	45%	45%	\$617
15 1 Bedroom	50%	50%	\$685
21 1 Bedroom	60%	60%	\$822
3 2 Bedrooms	30%	30%	\$493
2 2 Bedrooms	45%	45%	\$740
6 2 Bedrooms	50%	50%	\$822
12 2 Bedrooms	60%	60%	\$987
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$14,095,510

**Residential**

Construction Cost Per Square Foot: \$103  
 Per Unit Cost: \$204,283

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$7,250,000	Citibank	\$3,215,000
City of Elk Grove	\$3,733,333	City of Elk Grove	\$5,600,000
Deferred Developer Fee	\$1,400,000	Deferred Developer Fee	\$651,422
Tax Credit Equity	\$1,712,177	Tax Credit Equity	\$4,629,088
		<b>TOTAL</b>	<b>\$14,095,510</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$11,866,166
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$11,866,166
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$403,450
Total State Credit:	\$1,412,735
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.91982
State Tax Credit Factor:	\$0.64987

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:	\$11,866,166
Actual Eligible Basis:	\$11,866,166
Unadjusted Threshold Basis Limit:	\$13,487,100
Total Adjusted Threshold Basis Limit:	\$22,216,032

**Adjustments to Basis Limit:**

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 41%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

**Tie-Breaker Information**

Final: N/A

**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. 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:**

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. This project has received a waiver allowing the project to include 34% two-bedroom units instead of the standard senior housing-type regulatory limit of 20%.

The state credit award requested by the applicant was reduced. The reduction was necessary to avoid exceeding the annual amount of state credit available to 4% + state credit projects per TCAC Regulation Section 10317(i)(5).

This project has received a waiver of the Senior housing type requirement that limits the 2-bedroom units to no more than 20% of the units. This project has 34% 2-bedroom tax-credit units (23 units).

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of Elk Grove, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$403,450</b>	<b>\$1,412,735</b>

**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.

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-Day Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

**Additional Conditions:** None

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 500 ft of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	2	2	2
Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SENIOR HOUSING TYPE</b>			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>NEW CONSTRUCTION</b>			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
Develop project to requirements of: GreenPoint Rated 100	3	3	3
<b>Lowest Income</b>	<b>52</b>	<b>39.5</b>	<b>39.5</b>
Basic Targeting	50	37.5	37.5
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Total Points</b>	<b>126</b>	<b>113.5</b>	<b>113.5</b>

**Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.**

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**