

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 First Round
June 11, 2014

Project Number CA-14-832

Project Name Arbor Creek Senior Apartments
 Site Address: 8350 Elk Grove Florin Road
 Sacramento, CA 95829 County: Sacramento
 Census Tract: 93.170

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$382,199	\$1,478,732
Recommended:	\$382,199	\$1,478,732

Applicant Information

Applicant: Arbor Creek Senior Apartments, L.P.
 Contact: Geoffrey C. Brown
 Address: 3200 Douglas Blvd., Suite 200
 Roseville, CA 95661
 Phone: 916-773-6060 Fax: 916-786-8150
 Email: gbrown@usapropfund.com

General Partner(s)/Principal Owner(s): USA Arbor Creek Senior, Inc.
 Riverside Charitable Corporation
 General Partner Type: Joint Venture
 Parent Company(ies): USA Properties Fund, Inc.
 USA Properties Fund, Inc.
 Developer: USA Multifamily Housing, Inc.
 Investor/Consultant: US Bancorp Community Development Corporation
 Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 60
 No. & % of Tax Credit Units: 59 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HOME
 Utility Allowance: CUAC
 45% AMI: 21 35 %
 50% AMI: 38 40 %

Affordability Breakdown by Units and % (Lowest Income Points):
 Number of Units @ or below 50% of area median income: 59

Bond Information

Issuer: Sacramento Housing and Redevelopment Agency
 Expected Date of Issuance: 08/31/14
 Credit Enhancement: No

Information

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

Unit Mix

48 1-Bedroom Units
 12 2-Bedroom Units

 60 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 1 Bedroom	45%	45%	\$580
28 1 Bedroom	50%	50%	\$644
1 2 Bedrooms	45%	45%	\$696
10 2 Bedrooms	50%	50%	\$773
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$13,860,122
 Estimated Residential Project Cost: \$13,860,122

Residential

Construction Cost Per Square Foot: \$203
 Per Unit Cost: \$231,002

Construction Financing

<u>Source</u>	<u>Amount</u>
US Bank	\$7,300,000
SHRA	\$5,301,382
County of Sacramento Fee Waivers	\$1,023,237
Tax Credit Equity	\$235,503

Permanent Financing

<u>Source</u>	<u>Amount</u>
US Bank	\$325,000
SHRA	\$6,790,000
County of Sacramento Fee Waivers	\$1,023,237
Deferred Developer Fee	\$976,941
Tax Credit Equity	\$4,744,944
TOTAL	\$13,860,122

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,374,965
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$11,374,965
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$382,199
Total State Credit:	\$1,478,732
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,483,691
Investor/Consultant:	US Bancorp Community Development Corporation
Federal Tax Credit Factor:	\$0.99000
State Tax Credit Factor:	\$0.65000

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:	\$11,374,965
Actual Eligible Basis:	\$11,374,965
Unadjusted Threshold Basis Limit:	\$11,767,152
Total Adjusted Threshold Basis Limit:	\$27,175,779

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
 Local Development Impact Fees
 95% of Upper Floor Units are Elevator-Serviced
 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
 between 50% AMI & 36% AMI: 100%

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 3.36% 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 project will provide Health and Wellness Services through LifeSTEPS and shall be no less than 100 hours per year as described in the Memorandum of Understanding (MOU).

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, Sacramento Housing and Redevelopment Agency, 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
\$382,199	\$1,478,732

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 any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 performance deposit and 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

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile 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 ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr	7	7	7
Health & wellness services and programs, minimum 100 hrs/100 bdrms	3	3	3
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: Green Point Rated	5	5	5
Develop project to requirements of: GreenPoint Rated 100	3	3	3
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
Lowest Income	52	40	40
Basic Targeting	50	40	40
Readiness to Proceed	20	20	20
Total Points	126	114	114

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.