

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 12, 2014**

**Project Number** CA-14-905

**Project Name** Auburn Villa Apartments  
 Site Address: 628 Mikkelsen Drive  
 Auburn, CA 95603 County: Placer  
 Census Tract: 203.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$220,128	\$0
Recommended:	\$220,128	\$0

**Applicant Information**

Applicant: Auburn Villa Preservation Limited Partnership  
 Contact: William E. Szymczak  
 Address: 21515 Hawthorne Blvd, #125  
 Torrance, CA 90503  
 Phone: (310) 802-6670 Fax: (310) 802-6680  
 Email: bill@preservationpartners.org

General Partner(s) or Principal Owner(s): Auburn Villa Preservation Partners LLC  
 Auburn Villa Cornucopia LLC

General Partner Type: Joint Venture  
 Parent Company(ies): Preservation Partners  
 Cornucopia Services

Developer: Preservation Partners Development III, LLC  
 Investor/Consultant: Huntington Villa Yorba Investors LLC  
 Management Agent: Preservation Partners Management Group

**Project Information**

Construction Type: Acquisition and Rehabilitation  
 Total # Residential Buildings: 3  
 Total # of Units: 50  
 No. & % of Tax Credit Units: 49 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-Based Contract (49 units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 5  
 Number of Units @ or below 60% of area median income: 44

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: November 15, 2014  
 Credit Enhancement: N/A

**Information**

Housing Type: At-Risk  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Mayra Lozano

**Unit Mix**

50 1-Bedroom Units  
 50 Total Units

<u>Unit Type &amp; 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>
5 1 Bedroom	50%	50%	\$644
44 1 Bedroom	60%	60%	\$773
1 1 Bedroom	Manager's Unit	Manager's Unit	\$925

**Project Financing**

Estimated Total Project Cost: \$7,221,682  
 Estimated Residential Project Cost: \$7,221,682

**Residential**

Construction Cost Per Square Foot: \$65  
 Per Unit Cost: \$144,434

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$6,000,000
Deferred Developer Fee	\$854,533
Tax Credit Equity	\$367,150

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$4,089,161
Construction Period Income	\$140,605
Deferred Developer Fee	\$691,809
Tax Credit Equity	\$2,300,107
<b>TOTAL</b>	<b>\$7,221,682</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$3,062,328
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,489,093
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,062,328
Qualified Basis (Acquisition):	\$3,489,093
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$102,894
Maximum Annual Federal Credit, Acquisition:	\$117,234
Total Maximum Annual Federal Credit:	\$220,128
Approved Developer Fee (in Project Cost & Eligible Basis):	\$854,533
Investor/Consultant:	Huntington Villa Yorba Investors LLC
Federal Tax Credit Factor:	\$1.04490

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:	\$6,551,421
Actual Eligible Basis:	\$6,551,421
Unadjusted Threshold Basis Limit:	\$9,417,450
Total Adjusted Threshold Basis Limit:	\$10,359,195

**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:	10%
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**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 meet 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:** This is an at-risk senior project with a project-based HUD Section 8 contract covering 100% (49 units) of the low-income units.

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of Auburn, completed a site review of this project and strongly supports the 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>\$220,128</b>	<b>\$0</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.

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:** None.