

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016

Liberty at Aliso, located at 4 Liberty in Aliso Viejo, requested and is being recommended for a reservation of \$2,212,902 in annual federal tax credits to finance the new construction of 198 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by USA Properties Fund, Inc. and will be located in Senate District 36 and Assembly District

Project Number CA-16-908

Project Name Liberty at Aliso
 Site Address: 4 Liberty
 Aliso Viejo, CA 92656 County: Orange
 Census Tract: 626.390

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,212,902	\$0
Recommended:	\$2,212,902	\$0

Applicant Information

Applicant: Liberty at Aliso 640, L.P.
 Contact: Geoffrey C. Brown
 Address: 3200 Douglas Blvd., Suite 200
 Roseville, CA 95661
 Phone: (916) 724-3801 Fax: (916) 786-8150
 Email: gbrown@usapropfund.com

General Partner(s) or Principal Owner(s): USA Liberty at Aliso 640, Inc.
 FFAH II Liberty Aliso, L.L.C.

General Partner Type: Joint Venture

Parent Company(ies): USA Properties Fund, Inc.
 Foundation for Affordable Housing II, Inc.

Developer: USA Properties Fund, Inc.

Investor/Consultant: Boston Financial Investment Management

Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 200
 No. & % of Tax Credit Units: 198 100.00%
 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: 50
 Number of Units @ or below 60% of area median income: 148

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: September 16, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

88 1-Bedroom Units
 112 2-Bedroom Units

 200 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
36 1 Bedroom	50%	50%	\$914
52 1 Bedroom	60%	60%	\$1,097
14 2 Bedrooms	50%	50%	\$1,097
32 2 Bedrooms	60%	60%	\$1,317
64 2 Bedrooms	60%	60%	\$1,317
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,285

Project Cost Summary at Application

Land and Acquisition	\$8,300,000
Construction Costs	\$33,235,104
Rehabilitation Costs	\$0
Construction Contingency	\$2,459,716
Relocation	\$0
Architectural/Engineering	\$1,598,595
Const. Interest, Perm. Financing	\$2,907,667
Legal Fees, Appraisals	\$150,000
Reserves	\$591,516
Other Costs	\$7,228,541
Developer Fee	\$6,831,703
Commercial Costs	\$0
Total	\$63,302,842

Project Financing

Estimated Total Project Cost:	\$63,302,842
Estimated Residential Project Cost:	\$63,302,842
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$152
Per Unit Cost:	\$316,514
True Cash Per Unit Cost*:	\$299,011

Construction Financing

Source	Amount
Citibank, N.A.	\$40,000,000
City of Aliso Viejo - HTF	\$2,025,000
City of Aliso Viejo - Park Fee Loan	\$4,420,000
Deferred Developer Fee	\$6,831,703
Tax Credit Equity	\$10,026,139

Permanent Financing

Source	Amount
Citibank, N.A.	\$29,100,000
City of Aliso Viejo - HTF	\$2,250,000
City of Aliso Viejo - Park Fee Loan	\$4,420,000
Deferred Developer Fee	\$3,500,598
Tax Credit Equity	\$24,032,244
TOTAL	\$63,302,842

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$52,376,391
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$68,089,308
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$2,212,902
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,831,703
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$1.08601

Per Regulation Section 10322(h)(9)(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:	\$52,376,391
Actual Eligible Basis:	\$52,376,391
Unadjusted Threshold Basis Limit:	\$40,245,520
Total Adjusted Threshold Basis Limit:	\$59,953,852

Adjustments to Basis Limit

- 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: 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 (see the "Special Issues/Other Significant Information" section of this report below) and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% 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’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$4,200. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$3,839 on agreement of the permanent lender and equity investor.

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
\$2,212,902	\$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: None.