CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 13, 2017

Susanville Gardens Apartments, located at 1070 Paiute Lane in Susanville, requested and is being recommended for a reservation of $216,302 in annual federal tax credits to finance the acquisition and rehabilitation of 53 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Alliance Property Group Inc. and is located in Senate District 1 and Assembly District 1.

Susanville Gardens Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Susanville Gardens Apartments (CA-2001-913). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project financing includes state funding from the California Housing Finance Agency (CalHFA).

Project Number CA-17-804

Project Name Susanville Gardens Apartments
Site Address: 1070 Paiute Lane
Susanville, CA 96130 County: Lassen
Census Tract: 403.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$216,302	$0
Recommended:	$216,302	$0

Applicant Information
Applicant: Alliance Property Group Inc.
Contact: Danielle Curls Bennett
Address: 645 W. Ninth Street, Suite 215
Los Angeles, CA 90015
Phone: (213) 995-1770 Fax: (213) 995-1771
Email: dcurlsbennett@apg-dev.com

General Partner(s) or Principal Owner(s): Susanville Garden Apartments, LLC
Community Revitalization & Development Corp.
General Partner Type: Joint Venture
Parent Company(ies): Alliance Property Group Inc.
Community Revitalization & Development Corp.
Developer: Alliance Property Group Inc.
Investor/Consultant: Alden Capital Partners, LLC
Management Agent: MBS Property Mangement

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	4	
Total # of Units:	64	
No. & % of Tax Credit Units:	53	84.13%
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: 8
Number of Units @ or below 60% of area median income: 45

Bond Information

Issuer:	California Housing Finance Agency (CalHFA)
Expected Date of Issuance:	January 31, 2018
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	Rural
TCAC Project Analyst:	Zhuo Chen

Unit Mix

16	1-Bedroom Units
48	2-Bedroom Units
64	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	50%	$645
12	1 Bedroom	60%	53%	$686
5	2 Bedrooms	50%	50%	$775
33	2 Bedrooms	60%	54%	$831
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$900
1	1 Bedroom	Market Rate Unit	Market Rate Unit	$750
9	2 Bedrooms	Market Rate Unit	Market Rate Unit	$900

Projected Lifetime Rent Benefit: $1,168,860

Project Cost Summary at Application	
Land and Acquisition	$2,100,000
Construction Costs	$0
Rehabilitation Costs	$3,109,373
Construction Contingency	$310,937
Relocation	$0
Architectural/Engineering	$123,828
Const. Interest, Perm. Financing	$577,369
Legal Fees, Appraisals	$85,000
Reserves	$260,000
Other Costs	$131,139
Developer Fee	$873,660
Commercial Costs	$0
Total	**$7,571,306**

Project Financing	
Estimated Total Project Cost:	$7,571,306
Estimated Residential Project Cost:	$7,571,306
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$61
Per Unit Cost:	$118,302
True Cash Per Unit Cost*:	$107,860

Construction Financing

Source	Amount
Hunt Capital Partners, LLC - T.E. Bonds	$4,300,000
CalHFA - Earned Surplus Loan	$1,665,000
Net Operating Income	$250,000
Deferred Costs	$264,007
Deferred Developer Fee	$668,284
Tax Credit Equity	$481,146

Permanent Financing

Source	Amount
CalHFA	$3,024,000
CalHFA - Earned Surplus Loan	$1,665,000
Net Operating Income	$250,000
Deferred Developer Fee	$668,284
Tax Credit Equity	$1,964,022
TOTAL	**$7,571,306**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$4,607,924
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$2,101,050
Applicable Fraction:	84.13%
Qualified Basis (Rehabilitation):	$5,039,460
Qualified Basis (Acquisition):	$1,767,550
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$158,857
Maximum Annual Federal Credit, Acquisition:	$57,445
Total Maximum Annual Federal Credit:	$216,302
Approved Developer Fee (in Project Cost & Eligible Basis):	$873,660
Investor/Consultant:	Alden Capital Partners, LLC
Federal Tax Credit Factor:	$0.90800

Per Regulation Section 10327(c)(6), 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:	$6,708,974
Actual Eligible Basis:	$6,708,974
Unadjusted Threshold Basis Limit:	$17,300,960
Total Adjusted Threshold Basis Limit:	$19,377,075

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: 12%

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 3.25% 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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-913). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/2002 12/31/2016. The existing regulatory agreement expires 12/31/2056. The existing project has a total of 64 units, consisting of 32 low-income units, 1 manager's unit, and 31 market rate units. The existing regulatory agreement income targeting for the 32 low-income units is 8 units at or below 50% AMI and 24 units at or below 60% AMI. The project is converting 21 market rate units to low-income units, resulting in 53 low-income units, 1 manager's unit, and 10 market rate units. Of the 53 low-income units, 8 units will be restricted at or below 50% AMI and 46 units will be restricted at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $254,400. The purchase price of $2,100,000 is less than the appraised value of $3,600,000. The $1,500,000 difference between the purchase price and the appraisal value is deemed a seller discount. Since the seller discount is greater than the short term work amount, the project is allowed to receive eligible basis for the entire Short Term Work amount of $254,400.

Local Reviewing Agency
The Local Reviewing Agency, the City of Susanville, 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
$216,302	**$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 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:

- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.