CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

Sierra Sunrise Senior Apartments, located at 4525 Manzanita Avenue in Carmichael, requested and is being recommended for a reservation of $1,263,858 in annual federal tax credits to finance the acquisition and rehabilitation of 118 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 is located in Senate District 4 and Assembly District 8.

Sierra Sunrise Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Sierra Sunrise Senior Apartments (CA-2004-851). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-19-530		
Project Name	Sierra Sunrise Senior Apartments		
Site Address:	4525 Manzanita Avenue		
	Carmichael, CA 95608	County:	Sacramento
Census Tract:	76.01		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,263,858	$0
Recommended:	$1,263,858	$0

Applicant Information

Applicant:	Carmichael 683, L.P.
Contact:	Geoffrey C. Brown
Address:	3200 Douglas Blvd., Suite 200 Roseville, CA 95661
Phone:	(916) 724-3836
Email:	gbrown@usapropfund.com

General Partner(s) or Principal Owner(s):	USA Carmichael 683, Inc. Riverside Charitable Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	USA Properties Fund, Inc. Riverside Charitable Corporation
Developer:	USA Properties Fund, Inc.
Investor/Consultant:	WNC & Associates
Management Agent:	USA Multifamily Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	119
No. / % of Low Income Units:	118 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 project Based Contract (114 units - 96%) / HOME

Bond Information

Issuer:	SHRA
Expected Date of Issuance:	February 1, 2020

Information

Housing Type:	Seniors
Geographic Area:	Capital Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	24	20%
60% AMI:	94	80%

Unit Mix

65 SRO/Studio Units
54 1-Bedroom Units
119 Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15	SRO/Studio	50%	50%	$732
50	SRO/Studio	60%	60%	$879
3	1 Bedroom	50%	50%	$784
39	1 Bedroom	60%	60%	$941
4	1 Bedroom	50%	50%	$784
2	1 Bedroom	50%	50%	$784
3	1 Bedroom	60%	60%	$941
2	1 Bedroom	60%	60%	$941
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$941

Project Cost Summary at Application

Land and Acquisition	$28,750,000
Construction Costs	$0
Rehabilitation Costs	$5,524,377
Construction Hard Cost Contingency	$543,971
Soft Cost Contingency	$104,697
Relocation	$0
Architectural/Engineering	$0
Const. Interest, Perm. Financing	$650,550
Legal Fees	$135,000
Reserves	$543,587
Other Costs	$363,522
Developer Fee	$4,995,487
Commercial Costs	$0
Total	**$41,611,191**

Residential

Construction Cost Per Square Foot:	$65
Per Unit Cost:	$349,674
True Cash Per Unit Cost*:	$292,023

Construction Financing

Source	Amount
Fannie Mae	$23,000,000
Seller Carryback Loan	$4,554,913
Tax Credit Equity	$8,506,239

Permanent Financing

Source	Amount
Fannie Mae	$23,000,000
Seller Carryback Loan	$4,554,913
Deferred Developer Fee	$2,305,487
Tax Credit Equity	$11,750,791
TOTAL	**$41,611,191**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,191,232
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$31,107,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,191,232
Qualified Basis (Acquisition):	$31,107,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$237,310
Maximum Annual Federal Credit, Acquisition:	$1,026,548
Total Maximum Annual Federal Credit:	$1,263,858
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,995,487
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.92976

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$38,298,732
Actual Eligible Basis:	$38,298,732
Unadjusted Threshold Basis Limit:	$30,231,978
Total Adjusted Threshold Basis Limit:	$39,301,572

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 20%

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 or 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 3.30% 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.

Significant Information / Additional Conditions

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2004-851). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-04-851) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(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.

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.

CDLAC Additional Conditions
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.