

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 28, 2010**

**Project Number** CA-2010-822

**Project Name** Terracina at Vineyard  
 Site Address: 8861 Vintage Park Drive  
 Sacramento, CA 95828 County: Sacramento  
 Census Tract: 93.170

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$211,972	\$0
Recommended:	\$211,972	\$0

**Applicant Information**

Applicant: Terracina Vineyard Apartments, L.P.  
 Contact: Geoffrey C. Brown  
 Address: 2440 Professional Drive  
 Roseville CA 95661  
 Phone: 916.724.3801 Fax: 916.773.5866  
 Email: gbrown@usapropfund.com

General partner(s) or principal owner(s): USA Terracina Vineyard, Inc.  
 Riverside Charitable Corporation  
 General Partner Type: Joint Venture  
 Developer: USA Multi-Family Development, Inc.  
 Investor/Consultant: WNC & Associates, Inc.  
 Management Agent: USA Multifamily Management, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 8  
 Total # of Units: 64  
 No. & % of Tax Credit Units: 63 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: N/A  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 13  
 Number of Units @ or below 60% of area median income: 50

**Information**

Housing Type: Large Family  
 Geographic Area: Central  
 TCAC Project Analyst: Elaine Johnson

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: 7/28/2010  
 Credit Enhancement: Funded Forward Commitment for Direct Pay Credit Enhancement

**Unit Mix**

- 1 1-Bedroom Units
- 39 2-Bedroom Units
- 24 3-Bedroom Units
- 64 Total Units

<u>Unit Type &amp; Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	60%	60%	\$819
8 2 Bedrooms	50%	50%	\$818
18 2 Bedrooms	60%	52%	\$858
12 2 Bedrooms	60%	54%	\$888
5 3 Bedrooms	50%	50%	\$946
19 3 Bedrooms	60%	60%	\$1,135
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,636

**Project Financing**

Estimated Total Project Cost: \$7,093,174 Construction Cost Per Square Foot: \$25  
Per Unit Cost: \$110,831

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$4,680,000	Citibank, N.A.	\$5,000,000
Terracina Vineyard Apartments, L.P.	\$424,999	Terracina Vineyard Apartments, L.P.	\$331,058
Deferred Contractor Fee	\$107,459	Deferred Developer Fee	\$108,732
Deferred Developer Fee	\$822,874	Investor Equity	\$1,653,384
Investor Equity	\$1,057,843	<b>TOTAL</b>	<b>\$7,093,174</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation): \$2,433,198  
 130% High Cost Adjustment: No  
 Requested Eligible Basis (Acquisition): \$3,875,500  
 Applicable Fraction: 100.00%  
 Qualified Basis (Rehabilitation): \$2,433,198  
 Qualified Basis (Acquisition): \$3,875,500  
 Applicable Rate: 3.40%  
 Maximum Annual Federal Credit, Rehabilitation: \$81,755  
 Maximum Annual Federal Credit, Acquisition: \$130,217  
 Total Maximum Annual Federal Credit: \$211,972  
 Approved Developer Fee in Project Cost & Basis: \$822,874  
 Investor/Consultant: WNC & Associates, Inc.  
 Federal Tax Credit Factor: \$0.78000

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:	\$6,308,698
Actual Eligible Basis:	\$6,308,698
Unadjusted Threshold Basis Limit:	\$15,520,780
Total Adjusted Threshold Basis Limit:	\$18,624,936

**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: 13%

**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/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 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** None

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$211,972</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 an allocation 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 provide the tenants with High Speed Internet Service and Educational Classes (such as English as a Second Language classes, Computer training, etc.) but which are not the same as after school programs free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

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 placed-in-service application is submitted: reduce energy on a per square foot basis by 25% as calculated using the methodology approved by the California Energy Commission; a) flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or b) at least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit; a) no VOC interior paint (5 grams per liter or less), Carpet/Rug Institute Green-label, low-VOC carpeting and pad and low-VOC adhesives (25 grams per liter or less), or b) bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor or timer; and project will contain nonsmoking buildings or sections of buildings. Nonsmoking sections must consist of at least half the units within the building, and those units must be contiguous.