

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 10, 2012**

Project Number CA-12-889

Project Name Terracina Oaks Apartments
Site Address: 12200 Gateway Court
Auburn, CA 95603 County: Placer
Census Tract: 218.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$191,783	\$0
Recommended:	\$191,783	\$0

Applicant Information

Applicant: Terracina Oaks, L.P.
Contact: Geoffrey C. Brown
Address: 2440 Professional Drive
Roseville, CA 95661
Phone: (916) 724-3836 Fax: (916) 773-5866
Email: gbrown@usapropfund.com

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

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 6
Total # of Units: 56
No. & % of Tax Credit Units: 55 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 19
Number of Units @ or below 60% of area median income: 36

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: October 17, 2012
 Credit Enhancement: None

Information

Housing Type: Large Family
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Nicola Hil

Unit Mix

1 1-Bedroom Units
 31 2-Bedroom Units
 24 3-Bedroom Units

 56 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	60%	53%	\$753
8 2 Bedrooms	35%	34%	\$576
1 2 Bedrooms	60%	50%	\$861
22 2 Bedrooms	60%	52%	\$896
11 3 Bedrooms	35%	33%	\$661
12 3 Bedrooms	60%	53%	\$1,046
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,076

Project Financing

Estimated Total Project Cost: \$7,370,609 Construction Cost Per Square Foot: \$31
 Per Unit Cost: \$131,618

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$3,900,000	Citibank, N.A.	\$2,315,000
HCD - RHCP	\$2,595,583	HCD - RHCP	\$2,595,583
Deferred Developer Fee	\$299,676	Developer Note	\$288,690
Tax Credit Equity	\$575,350	Operating Income	\$253,506
		Tax Credit Equity	\$1,917,830
		TOTAL	\$7,370,609

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,293,970
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,795,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,293,970
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$3,795,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$70,343
Maximum Annual Federal Credit, Acquisition:	\$121,440
Total Maximum Annual Federal Credit:	\$191,783
Approved Developer Fee (in Project Cost & Eligible Basis):	\$794,214
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$1.00000

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:	\$6,088,970
Actual Eligible Basis:	\$6,088,970
Unadjusted Threshold Basis Limit:	\$13,510,584
Total Adjusted Threshold Basis Limit:	\$22,697,781

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 68%

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 3.20% 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:

Project has received a waiver from CDLAC of items (C) Landscaping and (K) Fiber-Glass Based Insulation of Section 10327(f)(7) the TCAC Minimum Construction Standards. The developer will undertake modification and improvements of the landscaping and irrigation systems, but is no longer required to ensure that the project meets the requirement set forth in the State Model Water Efficient Landscape Ordinance due to the cost-prohibitive nature of such upgrades. The project scope of work does not anticipate accessing insulation areas and replacement of insulant is in feasible and overly expensive.

The applicant requested a waiver of item (D) Roofs of Section 10327(f)(7) the TCAC Minimum Construction Standards. CDLAC has conditionally granted this waiver after receiving confirmation from the project roofer that the projects roofs have a 20 year life expectancy. The applicant must provide a 3-year subcontractor guarantee at rehabilitation completion per the CDLAC Resolution. This document must also be included in the TCAC placed-in-service package.

The project is currently slightly above TCAC's 14% contractor overhead maximum requirement (outlined in Section 10327(c)(1) of the TCAC Regulations). The project must be at or below the 14% contractor overhead requirement by the placed-in-service review.

Local Reviewing Agency:

The Local Reviewing Agency, County of Placer, 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
\$191,783	\$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