CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

Brookside Crossing, located at 1685 1st Street in Lincoln, requested and is being recommended for a reservation of $1,122,344 in annual federal tax credits to finance the acquisition and rehabilitation of 206 units of housing serving tenants 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 6.

Brookside Crossing is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, The Oaks at Joiner Ranch (CA-94-210) and The Oaks at Joiner Ranch II (CA-97-922). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-881

Project Name Brookside Crossing
Site Address: 1685 1st Street
Lincoln, CA 95648 County: Placer
Census Tract: 214.030

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,122,344	$0
Recommended:	$1,122,344	$0

Applicant Information
Applicant: Lincoln 644, L.P.
Contact: Geoffrey C. Brown
Address: 3200 Douglas Blvd., Suite 200
Roseville, CA 95661 County: Placer
Phone: (916) 724-3801 Fax: (916) 786-8150
Email: gbrown@usapropfund.com

General Partner(s) or Principal Owner(s): USA Lincoln 644, 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, Inc.
Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 24
Total # of Units: 208
No. & % of Tax Credit Units: 206 100.00%
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: 35
Number of Units @ or below 60% of area median income: 171

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: July 1, 2016
Credit Enhancement: No

Information

Housing Type: Non-Targeted
Geographic Area: Captial and Northern Region
TCAC Project Analyst: Mayra Lozano

Unit Mix

24	1-Bedroom Units
88	2-Bedroom Units
72	3-Bedroom Units
24	4-Bedroom Units
208	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	53%	$713
22	1 Bedroom	60%	60%	$804
20	2 Bedrooms	50%	53%	$856
66	2 Bedrooms	60%	60%	$958
10	3 Bedrooms	50%	53%	$989
62	3 Bedrooms	60%	60%	$1,107
3	4 Bedrooms	50%	53%	$1,103
21	4 Bedrooms	60%	60%	$1,239
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$966

Project Cost Summary at Application

Land and Acquisition	$19,500,000
Construction Costs	$0
Rehabilitation Costs	$9,423,333
Construction Contingency	$0
Relocation	$0
Architectural/Engineering	$35,000
Const. Interest, Perm Financing	$2,036,813
Legal Fees, Appraisals	$98,400
Reserves	$517,000
Other Costs	$397,683
Developer Fee	$4,057,878
Commercial Costs	$0
Total	**$36,066,107**

Project Financing

Estimated Total Project Cost:	$36,066,107
Estimated Residential Project Cost:	$36,066,107
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$46
Per Unit Cost:	$173,395
Effective Per Unit Cost:	$167,409

Construction Financing

Source	Amount
Citibank	$24,250,000
Citibank Subordinate Loan	$4,160,000
Deferred Developer Fee	$4,057,879
Tax Credit Equity	$3,598,228

Permanent Financing

Source	Amount
Citibank	$18,500,000
Citibank Subordinate Loan	$4,160,000
Deferred Developer Fee	$1,244,973
Tax Credit Equity	$12,161,134
TOTAL	**$36,066,107**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,410,904
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$19,699,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,834,175
Qualified Basis (Acquisition):	$19,699,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$482,110
Maximum Annual Federal Credit, Acquisition:	$640,234
Total Maximum Annual Federal Credit:	$1,122,344
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,057,878
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	$1.08355

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:	$31,110,404
Actual Eligible Basis:	$31,110,404
Unadjusted Threshold Basis Limit:	$58,851,136
Total Adjusted Threshold Basis Limit:	$68,267,318

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: 17%

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

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 January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires 12/31/2027. The existing regulatory agreement income targeting is 40% of the units at or below 60% AMI.

The project was acquired prior to October 9, 2015 therefore does not qualify as a transfer event. The financing used to acquire the project will be re-financed and replaced by the bond loan. The new loan will be used to (i) repay the Acquisition Loan and (ii) financing the rehabilitation and development of the Project. There will be no project equity distribution made to the owners.

The project is a re-syndication that is subject to the hold harmless rent provisions of the federal Housing and Economic Recovery Act of 2008 (HERA). The applicant requested and is approved to underwrite the application at the hold harmless rent limits. The new regulatory agreement shall reflect the current tax credit rent limits, but the project may continue to charge hold harmless HERA rents (specifically, for 35 units targeted at 50% AMI but with hold harmless HERA rent currently equal to 50% AMI) only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

Local Reviewing Agency
The Local Reviewing Agency, City of Lincoln , has completed a site review of this project and 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
$1,122,344	**$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.