CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2016

Lincoln Senior Apartments, located at 1655 Third Street in Lincoln, requested and is being recommended for a reservation of $199,322 in annual federal tax credits to finance the acquisition and rehabilitation of 69 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Cascade Housing Association and is located in Senate District 1 and Assembly District 6.

Lincoln Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Lincoln Senior Apartments (CA-98-008). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-16-996

Project Name Lincoln Senior Apartments
Site Address: 1655 Third Street
Lincoln, CA 95648 County: Placer
Census Tract: 214.030

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$199,322	$0
Recommended:	$199,322	$0

Applicant Information

Applicant:	Lincoln Senior 2016 Limited Partnership
Contact:	Kristi Isham
Address:	PO Box 182 Springfield, OR 97477
Phone:	(541) 726-6181 Fax: (541) 747-1535
Email:	krist.isham@cascadehousing.org

General Partner(s) or Principal Owner(s):	Cascade Housing Association
General Partner Type:	Nonprofit
Parent Company(ies):	Cascade Housing Association
Developer:	Cascade Housing Association
Investor/Consultant:	WNC & Associates
Management Agent:	Cambridge Real Estate Services

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	70
No. & % of Tax Credit Units:	69 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / USDA RHS 515 & 521 Rental Assistance (69 Units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	69

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	May 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital and Northern Region
TCAC Project Analyst:	DC Navarrette

Unit Mix

62	1-Bedroom Units
8	2-Bedroom Units
70	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	1 Bedroom	50%	43%	$554
56	1 Bedroom	50%	43%	$554
1	2 Bedrooms	50%	46%	$722
6	2 Bedrooms	50%	46%	$722
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$1,732,705
Construction Costs	$0
Rehabilitation Costs	$2,661,690
Construction Contingency	$230,000
Relocation	$52,500
Architectural/Engineering	$43,000
Const. Interest, Perm. Financing	$314,652
Legal Fees, Appraisals	$131,000
Reserves	$503,989
Other Costs	$209,372
Developer Fee	$646,016
Commercial Costs	$0
Total	**$6,524,924**

Project Financing	
Estimated Total Project Cost:	$6,524,924
Estimated Residential Project Cost:	$6,524,924
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$47
Per Unit Cost:	$93,213
True Cash Per Unit Cost*:	$93,213

Construction Financing

Source	Amount
US Bank	$2,973,824
USDA RHS 515 (Assumed)	$1,732,705
Existing Replacement Reserves	$505,000
Existing Operating Account	$81,932
Deferred Operating Reserves	$112,057
Deferred Developer Fee	$646,016
Tax Credit Equity	$473,390

Permanent Financing

Source	Amount
US Bank	$2,311,728
USDA RHS 515 (Assumed)	$1,732,705
Existing Replacement Reserves	$505,000
Existing Operating Account	$81,932
Tax Credit Equity	$1,893,559
TOTAL	**$6,524,924**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$3,934,045
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$1,018,747
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,114,259
Qualified Basis (Acquisition):	$1,018,747
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$166,213
Maximum Annual Federal Credit, Acquisition:	$33,109
Total Maximum Annual Federal Credit:	$199,322
Approved Developer Fee (in Project Cost & Eligible Basis):	$646,016
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.95000

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:	$4,952,792
Actual Eligible Basis:	$4,952,792
Unadjusted Threshold Basis Limit:	$14,920,790
Total Adjusted Threshold Basis Limit:	$29,841,580

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: 100%

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-98-008). 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 01/01/2000 through 12/31/2014. The existing regulatory agreement expires 12/31/2054. The existing regulatory agreement income targeting is 100% of units at 56% 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 without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve in the amount of $647,221.

The syndicator letter states total syndication expenses will be roughly 10.4% of gross proceeds. Per TCAC Regulation Section 10327(c)(3) this cannot exceed 10% in a private offering. The developer is advised the total syndication expenses must be in compliance with regulations by placed in service.

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:

Federal Tax Credits/Annual	**State Tax Credits/Total**
$199,322	**$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.