

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-843

Project Name Vintage Aliso Apartments
 Site Address: 2C Liberty
 Aliso Viejo, CA 92656 County: Orange
 Census Tract: 626.390

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,282,413	\$0
Recommended:	\$1,282,413	\$0

Applicant Information

Applicant: Aliso Viejo 621, L.P.
 Contact: Geoffrey C. Brown
 Address: 3200 Douglas Blvd., Suite 200
 Roseville CA 95661
 Phone: 916-724-3801 Fax: 916-786-8150
 Email: gbrown@usapropfund.com

General Partner(s) or Principal Owner(s): USA Aliso Viejo 621, Inc
 Foundation for Affordable Housing II, Inc.
 General Partner Type: Joint Venture
 Parent Company(ies): USA Properties Fund, Inc.
 Foundation for Affordable Housing II, Inc.
 Developer: USA Properties Fund, Inc.
 Investor/Consultant: Boston Financial Investment Management
 Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: N/A
 Total # of Units: 202
 No. & % of Tax Credit Units: 200 100.00%
 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: 33
 Number of Units @ or below 60% of area median income: 167

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: July 1, 2015
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: Daniel Tran

Unit Mix

18 1-Bedroom Units
184 2-Bedroom Units
 202 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	50%	48%	\$847
15 1 Bedroom	60%	58%	\$1,017
8 2 Bedrooms	50%	48%	\$1,016
6 2 Bedrooms	50%	48%	\$1,016
16 2 Bedrooms	50%	48%	\$1,016
152 2 Bedrooms	60%	58%	\$1,219
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,188

Project Cost Summary at Application

Land and Acquisition	\$7,346,911
Construction Costs	\$21,754,031
Rehabilitation Costs	\$0
Construction Contingency	\$1,386,639
Relocation	\$0
Architectural/Engineering	\$1,213,495
Construction Interest, Perm Financing	\$2,320,646
Legal Fees, Appraisals	\$130,000
Reserves	\$590,652
Other Costs	\$2,263,455
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$39,505,829

Project Financing

Estimated Total Project Cost:	\$39,505,829
Estimated Residential Project Cost:	\$39,505,829

Residential

Construction Cost Per Square Foot:	\$104
Per Unit Cost:	\$195,573

Construction Financing

Source	Amount
Citibank, N.A.	\$27,000,000
Tax Credit Equity	\$9,415,177

Permanent Financing

Source	Amount
Citibank, N.A.	\$27,000,000
Tax Credit Equity	\$12,505,829
TOTAL	\$39,505,829

Determination of Credit Amount(s)

Requested Eligible Basis:	\$29,893,096
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$38,861,025
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$1,217,587
Total Maximum Annual Federal Credit:	\$1,282,413
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.97518

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:	\$29,893,096
Actual Eligible Basis:	\$29,893,096
Unadjusted Threshold Basis Limit:	\$45,354,216
Total Adjusted Threshold Basis Limit:	\$58,332,846

Adjustments to Basis Limit:

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 16%

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 are below the minimum operating expenses established in the Regulations. Please see the "Special Issues/Other Significant Information" section of the staff report. 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.

Special Issues/Other Significant Information:

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$4,200. As allowed by Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$3,782 on agreement of the permanent lender and equity investor.

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

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,282,413	\$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