



**NH&RA**  
**Spring Developers Forum**  
**May 16 – 17**  
**Ritz Carlton Marina del Rey, CA**

**Brookside Crossing  
Apartments**

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# USA PROPERTIES FUND

- Founded in 1981 (35 years old)
- 11,000+ units in 85 properties in California and Nevada
- Vertically integrated
  - Developer
  - Contractor
  - Property Management



# Brookside Crossing Apartments

Two adjacent affordable properties in Lincoln, CA  
Phase I - 9% project with 88 units completed in 1996 (blue)  
Phase II - 4% project with 120 units completed in 1998 (yellow)





# Brookside Crossing Apartments

- Acq/Rehab of two adjacent properties (9% and 4% project) – 208 total units.
- Properties in fair to poor condition.
- Needed multiple funding sources to cover total development costs.
- Units not at maximum rents due to property conditions and management.





# Brookside Crossing Apartments





# Brookside Crossing Apartments

- Acquisition opportunity firmed up in mid-2015.
- Seller would not wait until 2016 to close.
- The properties were located in 2015 Small Difficult to Develop Area (“SDDA”) and thus eligible for a “subordinate” loan from Citi. However, the properties were not in a 2015 DDA for 130% tax credit basis boost.
- HUD had published changing method to designate properties for DDAs in 2016 to SDDAs making properties eligible for a 130% basis boost. HUD was expected to publish 2016 DDAs in late September.
- TCAC was also considering regulation changes to allow a substantially higher developer fees (+); restrictions on back-end structure (-).
- Result: Borrower needed to close into bridge structure in late 2016, but we had to have a firm commitment from lender – **Citi Community Capital** – and tax credit investor – **WNC Associates, Inc.** – for construction and permanent financing on fixed terms.



# Brookside Crossing Apartments

## Timeline of Events

Enter Purchase and Sale Agreement	June 2015
TCAC releases proposed regulation changes (+/-)	July 2015
Apply for 4% Tax Credits and Tax-Exempt Bonds (hedge for reg. changes)	August 2015
Withdraw 4% Tax Credit and Tax-Exempt Bond applications (to get more favorable treatment in 2017)	September 2015
TCAC adopts new regulations	October 21, 2015
PSA outside closing date (with extensions)	November 2015
Acquire properties with Citi bridge loan <ul style="list-style-type: none"><li>Fully underwritten and approved by Citi and WNC as Syndicator</li><li>Interest rate locked and LPA finalized and executed</li></ul>	November 6, 2015
HUD (finally!) releases 2016 DDAs but delays effective date until 7/1/16	Dec 17, 2015
Re-apply for 4% Tax Credits and Tax-Exempt Bonds	March 18, 2016
Receive 4% LIHTC and TE Bonds Allocation	May 18, 2016
Close 4% LIHTC and Tax-Exempt Construction Loan and repay Bridge Loan	July 1, 2016



# Brookside Crossing Apartments

## Bridge Acquisition Sources November 2017

Citi Community Capital – taxable bridge loan (70% LTV)	\$13,650,000
Citi Subordinate Loan	\$4,160,000
USA Properties Fund Equity	\$2,720,000
TOTAL SOURCES	\$20,530,000
Citi sources totaled 90% LTV	



# Brookside Crossing Apartments

## Construction/Permanent Sources & Uses of Funds July 2016

Citi – Tax Exempt Bonds	\$18,500,000	Acquisition	\$19,500,000
Citi Subordinate Loan	4,160,000	Renovations (\$45,300/unit)	9,423,000
Tax Credit Equity - WNC	12,018,000	Financing Costs	2,011,000
Deferred Developer Fee	1,243,000	Developer Fee	4,019,000
		Other Transaction Costs	968,000
TOTAL SOURCES	\$35,921,000	TOTAL USES	\$35,921,000



# Brookside Crossing Apartments

## TCAC Developer Fee Change

For 4% projects only, TCAC removed the \$2.5M cap on developer fees, but the cash developer fee can't exceed \$2.5M plus \$10K per unit for each affordable unit over 100 (example: 200 affordable units = \$3.5M cash fee limit).

### **Brookside Crossing**

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15% of Eligible Basis	\$ 4,018,967
Previous Developer Fee Limit	\$ 2,500,000
Increase in Developer Fee	<hr/> \$ 1,518,967



# Brookside Crossing Apartments

## Proceeds Boost from Bridge to Private Placement

- Increased equity from 130% basis boost **\$1,182,000**
- Increased equity from Developer Fee **\$ 534,676**
- Total Additional Proceeds **\$1,716,676**

**Thank You**  
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