

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

Emerald Gardens Apartments, located at 8720 Valley View Street in Buena Park, requested and is being recommended for a reservation of \$815,340 in annual federal tax credits to finance the acquisition and rehabilitation of 109 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Emerald Park Holdings LLC and is located in Senate District 32 and Assembly District 65.

Emerald Gardens Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Emerald Gardens Apartments (CA-00-841). See **Special Issues/Other Significant Information** below for additional re-syndication information.

**Project Number** CA-16-945

**Project Name** Emerald Gardens Apartments  
**Site Address:** 8720 Valley View Street  
 Buena Park, CA 90620 County: Orange  
**Census Tract:** 1102.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$815,340	\$0
Recommended:	\$815,340	\$0

**Applicant Information**

**Applicant:** Emerald Park 2016 LP  
**Contact:** Chris Burns  
**Address:** 230 Newport Center Drive, Suite 210  
 Newport Beach, CA 92660  
**Phone:** 949-719-1888 Fax: 949-719-1897  
**Email:** cburns@kdfcommunities.com

**General Partner(s) or Principal Owner(s):** AHA Orange MGP LLC  
 Emerald Park Holdings LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Affordable Housing Access, Inc.  
 KDF Communities LLC

**Developer:** Emerald Park Holdings LLC

**Investor/Consultant:** WNC & Associates

**Management Agent:** VPM Management, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 10  
 Total # of Units: 110  
 No. & % of Tax Credit Units: 109 100.00%  
 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: 12  
 Number of Units @ or below 60% of area median income: 97

**Bond Information**

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

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Orange County  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

110 2-Bedroom Units  
 110 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 2 Bedrooms	50%	35%	\$768
6 2 Bedrooms	50%	45%	\$987
97 2 Bedrooms	60%	60%	\$1,317
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,238

**Project Cost Summary at Application**

Land and Acquisition	\$21,200,000
Construction Costs	\$0
Rehabilitation Costs	\$2,750,353
Construction Contingency	\$168,881
Relocation	\$0
Architectural/Engineering	\$38,150
Const. Interest, Perm. Financing	\$1,673,665
Legal Fees, Appraisals	\$65,000
Reserves	\$350,150
Other Costs	\$320,552
Developer Fee	\$3,159,000
Commercial Costs	\$0
<b>Total</b>	<b>\$29,725,751</b>

**Project Financing**

Estimated Total Project Cost:	\$29,725,751
Estimated Residential Project Cost:	\$29,725,751
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$30
Per Unit Cost:	\$270,234
True Cash Per Unit Cost*:	\$214,671

**Construction Financing**

Source	Amount
Citibank	\$19,000,000
Seller Carryback Note	\$3,095,731
General Partner Equity	\$48,983
Tax Credit Equity	\$4,071,887

**Permanent Financing**

Source	Amount
Citibank	\$13,210,000
Seller Carryback Note	\$3,100,000
General Partner Equity	\$48,983
Project Cash Flow	\$1,306,152
Deferred Developer Fee	\$3,011,977
Tax Credit Equity	\$9,048,639
<b>TOTAL</b>	<b>\$29,725,751</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,512,381
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$19,679,548
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,866,095
Qualified Basis (Acquisition):	\$19,679,548
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$175,755
Maximum Annual Federal Credit, Acquisition:	\$639,585
Total Maximum Annual Federal Credit:	\$815,340
Approved Developer Fee in Project Cost:	\$3,159,000
Approved Developer Fee in Eligible Basis:	\$3,127,995
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$1.10980

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:	\$24,191,929
Actual Eligible Basis:	\$24,191,929
Unadjusted Threshold Basis Limit:	\$23,936,000
Total Adjusted Threshold Basis Limit:	\$26,568,960

### **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: 11%

### **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-00-841). 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 01/01/2001 through 12/31/2015. The existing regulatory agreement expires 12/31/2030. The existing regulatory agreement income targeting is 10% of the units at or below 50% 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 re-syndication subject to the hold harmless rent limits. The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on the year in which the existing TCAC projects were originally placed-in-service: year 2001. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for: 10% of units at or below 50% AMI, provided that such hold harmless rents do not exceed the tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of \$48,983. In lieu of a Short Term Work Capitalized Reserve, there is a general partner equity contribution of \$48,983, allowing the applicant to use the Short Term Work Reserve Amount to fund rehabilitation expenses and to receive eligible basis for such amount.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Buena Park, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$815,340</b>	<b>\$0</b>

**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.