CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 16, 2018

Summer Park Apartments, located at 1275 S. Winery Avenue in Fresno, requested and is being recommended for a reservation of $1,776,622 in annual federal tax credits to finance the acquisition and rehabilitation of 246 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by EAH, Inc. and is located in Senate District 14 and Assembly District 31.

Summer Park Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, The Winery Apartments (CA-1996-925). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-18-741

Project Name Summer Park Apartments
Site Address: 1275 S. Winery Avenue
Fresno, CA 93727 County: Fresno
Census Tract: 14.07

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,776,622	$0
Recommended:	$1,776,622	$0

Applicant Information

Applicant:	Summer Park Fresno, L.P.
Contact:	Ethan Daniels
Address:	22 Pelican Way San Rafael, CA 94901
Phone:	415-295-8886
Email:	ethan.daniels@eahhousing.org

General Partner(s) or Principal Owner(s):	Summer Park EAH, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	EAH Inc.
Developer:	EAH Inc.
Investor/Consultant:	California Housing Partnership
Management Agent:	EAH Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	17
Total # of Units:	248
No. / % of Low Income Units:	246 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	October 1, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	Central Valley Region: Fresno County
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 50% AMI:	50	20%
At or Below 60% AMI:	196	80%

Unit Mix

48	1-Bedroom Units
176	2-Bedroom Units
24	3-Bedroom Units
248	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12	1 Bedroom	50%	50%	$562
33	2 Bedrooms	50%	50%	$675
5	3 Bedrooms	50%	48%	$749
36	1 Bedroom	60%	60%	$674
142	2 Bedrooms	60%	60%	$810
18	3 Bedrooms	60%	60%	$934
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $18,527,520

Project Cost Summary at Application

Land and Acquisition	$15,600,000
Construction Costs	$0
Rehabilitation Costs	$18,162,114
Construction Contingency	$1,828,750
Relocation	$1,240,000
Architectural/Engineering	$895,000
Const. Interest, Perm. Financing	$3,165,156
Legal Fees, Appraisals	$187,500
Reserves	$716,660
Other Costs	$687,439
Developer Fee	$5,984,900
Commercial Costs	$0
Total	**$48,467,519**

Residential

Construction Cost Per Square Foot:	$82
Per Unit Cost:	$195,434
True Cash Per Unit Cost*:	$129,878

Construction Financing

Source	Amount
Tax Exempt Loan	$26,836,000
Seller Carryback Loan	$10,972,975
Accrued/Deferred Carryback Interest	$632,043
GP Equity - Project Reserves	$194,131
Costs Deferred During Construction	$6,754,738
Tax Credit Equity	$3,077,632

Permanent Financing

Source	Amount
CalHFA Tax-Exempt Loan Tranche A	$3,026,000
CalHFA Tax-Exempt Loan Tranche B	$2,500,000
CalHFA Subsidy Loan	$2,500,000
Seller Carryback Loan	$10,972,975
Accrued/Deferred Carryback Interest	$632,043
EAH Permanent Loan	$4,000,000
Energy Rebate Loan	$1,700,000
GP Equity - Project Reserves	$194,131
Income from Operations	$508,457
Deferred Developer Fee	$5,284,900
Tax Credit Equity	$17,149,013
TOTAL	**$48,467,519**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$28,155,738
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$17,728,495
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$36,602,459
Qualified Basis (Acquisition):	$17,728,495
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$1,196,900
Maximum Annual Federal Credit, Acquisition:	$579,722
Total Maximum Annual Federal Credit:	$1,776,622
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,984,900
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.96526

Per Regulation Section 10327(c)(6), 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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$45,884,233
Actual Eligible Basis:	$45,884,233
Unadjusted Threshold Basis Limit:	$76,320,096
Total Adjusted Threshold Basis Limit:	$91,584,115

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 20%

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 3.27% 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.

Significant Information / Additional Conditions

This 248 unit project will meet the on-site manager unit requirement of regulation section 10326(g)(6), as set forth in section 10325(f)(7)(J), by having a management office and 2 on-site property managers as well as on-site security staff that are capable of responding to emergencies after-hours when the property management staff is not working.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-96-925). 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 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). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-96-925) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

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 that is otherwise required.

Local Reviewing Agency

The Local Reviewing Agency, the City of Fresno, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions: None.