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

Danbury Park Apartments, located at 7840 Walerga Road in Antelope, requested and is being recommended for a reservation of $1,156,986 in annual federal tax credits to finance the acquisition and rehabilitation of 139 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Preservation Partners and is located in Senate District 4 and Assembly District 7.

Danbury Park Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Danbury Park Apartments (CA-1994-190). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number	CA-18-751	
Project Name	Danbury Park Apartments	
Site Address:	7840 Walerga Road	
	Antelope, CA 95843	County: Sacramento
Census Tract:	74.33	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,156,986	$0
Recommended:	$1,156,986	$0

Applicant Information

Applicant:	Danbury Park Community Partners, LP
Contact:	Annand Kannan
Address:	17782 Sky Park Circle Irvine, CA 92614
Phone:	949-236-8278
Email:	akannan@cpp-housing.com

General Partner(s) or Principal Owner(s):	WNC - Danbury Park GP, LLC FFAH Danbury Park, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	WNC Development Partners, LLC Foundation for Affordable Housing
Developer:	Community Preservation Partners, LLC
Investor:	WNC & Associates, Inc.
Management Agent:	FPI Management Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	6
Total # of Units:	140
No. / % of Low Income Units:	139 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

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

Information

Housing Type:	Large Family
Geographic Area:	Capital Region
TCAC Project Analyst:	Mayra Lozano

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	56	40%
At or Below 60% AMI:	83	60%

Unit Mix

84	2-Bedroom Units
56	3-Bedroom Units
140	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
50	2 Bedrooms	60%	60%	$1,027
33	3 Bedrooms	60%	60%	$1,187
34	2 Bedrooms	50%	50%	$856
22	3 Bedrooms	50%	50%	$989
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,082

TCAC-confirmed Projected Lifetime Rent Benefit: $31,074,120

Project Cost Summary at Application

Land and Acquisition	$23,532,092
Construction Costs	$0
Rehabilitation Costs	$4,214,872
Construction Contingency	$421,487
Relocation	$105,000
Architectural/Engineering	$137,000
Const. Interest, Perm. Financing	$1,921,200
Legal Fees, Appraisals	$107,500
Reserves	$342,000
Other Costs	$258,471
Developer Fee	$4,346,168
Commercial Costs	$0
Total	**$35,385,790**

Residential

Construction Cost Per Square Foot:	$26
Per Unit Cost:	$252,756
True Cash Per Unit Cost*:	$199,930

Construction Financing

Source	Amount
Citibank Mortgage	$19,000,000
Seller Note	$4,500,000
Operating Income	$2,385,251
Deferred Developer Fee	$4,346,168
Tax Credit Equity	$5,154,371

Permanent Financing

Source	Amount
Citibank Mortgage	$14,166,000
Seller Note	$4,500,000
Operating Income	$2,370,099
Deferred Developer Fee	$2,895,533
Tax Credit Equity	$11,454,158
TOTAL	**$35,385,790**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,974,619
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$25,346,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$10,367,004
Qualified Basis (Acquisition):	$25,346,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$328,172
Maximum Annual Federal Credit, Acquisition:	$828,814
Total Maximum Annual Federal Credit:	$1,156,986
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,346,168
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	$0.99000

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:	$33,320,619
Actual Eligible Basis:	$33,320,619
Unadjusted Threshold Basis Limit:	$48,198,528
Total Adjusted Threshold Basis Limit:	$67,477,939

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: 40%

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 is below the minimum operating expenses established in the Regulations (See **"Significant Information / Additional Conditions"** Section below), 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 Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of $4,500. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $3,829 on agreement of the permanent lender and equity investor.

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-1994-190). 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, completed on December 31, 2009.

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-94-190) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication 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 1994. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for: 56 units at or below 50% AMI, provided that such hold harmless rents do not exceed the current 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 without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

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.

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