

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
October 16, 2019**

Glen Haven Apartments, located at 4262 Central Avenue in Fremont, requested and is being recommended for a reservation of \$673,789 in annual federal tax credits to finance the acquisition and rehabilitation of 57 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by KDF Communities, LLC and is located in Senate District 10 and Assembly District 20.

Glen Haven Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Glen Haven Apartments (CA-2002-857). See Resyndication and Resyndication Transfer Event below for additional information.

**Project Number** CA-19-534

**Project Name** Glen Haven Apartments  
Site Address: 4262 Central Avenue  
Fremont, CA 94536 County Alameda  
Census Tract: 4426.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$673,789	\$0
Recommended:	\$673,789	\$0

**Applicant Information**

Applicant: Glen Haven 2018 LP  
Contact: Chris Burns  
Address: 230 Newport Center Dr, #210  
Newport Beach, CA 92660  
Phone: 949-719-1888  
Email: cburns@kdfcommunities.com

General Partner(s) or Principal Owner(s): Glen Haven 2018 COGP LLC  
AHA East Bay MGP, LLC  
General Partner Type: Joint Venture  
Parent Company(ies): KDF Communities LLC  
Affordable Housing Access, Inc.  
Developer: KDF Communities LLC  
Investor/Consultant: R4 Capital  
Management Agent: VPM Management, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 4  
 Total # of Units: 81  
 No. / % of Low Income Units: 57 71.25%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: November 21, 2019

**Information**

Housing Type: Non-Targeted  
 Geographic Area: East Bay Region  
 TCAC Project Analyst: Marlene McDonough

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
50% AMI: 9	16%
60% AMI: 48	84%

**Unit Mix**

19 1-Bedroom Units
54 2-Bedroom Units
8 3-Bedroom Units
<b>81 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
11 1 Bedroom	60%	58%	\$1,341
32 2 Bedrooms	60%	54%	\$1,508
5 3 Bedrooms	60%	52%	\$1,676
2 1 Bedroom	50%	48%	\$1,118
6 2 Bedrooms	50%	45%	\$1,257
1 3 Bedrooms	50%	43%	\$1,396
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$2,950
6 1 Bedroom	Market Rate Unit	Market Rate Unit	\$2,050
16 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,250
1 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,950

**Project Cost Summary at Application**

Land and Acquisition	\$20,000,000
Construction Costs	\$0
Rehabilitation Costs	\$4,173,453
Construction Hard Cost Contingency	\$623,018
Soft Cost Contingency	\$50,000
Relocation	\$72,000
Architectural/Engineering	\$114,100
Const. Interest, Perm. Financing	\$1,655,045
Legal Fees	\$150,000
Reserves	\$356,779
Other Costs	\$140,076
Developer Fee	\$3,583,000
Commercial Costs	\$0
<b>Total</b>	<b>\$30,917,471</b>

**Residential**

Construction Cost Per Square Foot:	\$60
Per Unit Cost:	\$381,697
True Cash Per Unit Cost*:	\$346,498

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$19,000,000
City of Fremont Loan (Assumed)	\$2,757,260
Seller Carryback	\$1,000,000
Project Cash Flow	\$1,587,993
GP Equity	\$487,766
Tax Credit Equity	\$3,529,760

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$15,823,000
City of Fremont Loan (Assumed)	\$2,757,260
Seller Carryback	\$1,000,000
Project Cash Flow	\$1,580,506
Deferred Developer Fee	\$2,851,096
GP Equity	\$487,766
Tax Credit Equity	\$6,417,843
<b>TOTAL</b>	<b>\$30,917,471</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$6,761,575
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$20,673,000
Applicable Fraction:	71.25%
Qualified Basis (Rehabilitation):	\$6,262,909
Qualified Basis (Acquisition):	\$14,729,513
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$187,715
Maximum Annual Federal Credit, Acquisition:	\$486,074
Total Maximum Annual Federal Credit:	\$673,789
Approved Developer Fee in Project Cost:	\$3,583,000
Approved Developer Fee in Eligible Basis:	\$3,547,265
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	\$0.95250

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$27,434,575
Actual Eligible Basis:	\$27,434,575
Unadjusted Threshold Basis Limit:	\$33,788,206
Total Adjusted Threshold Basis Limit:	\$37,504,909

**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: 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 meet or 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 3.30% 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.

**Significant Information / Additional Conditions:** None

### **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-2002-857). 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.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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-2002-857) 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 with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of \$487,766. There is a general partner equity contribution of at least \$487,766, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

### **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.

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**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.