

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Sungrove Senior Apartments, located at 12811 Garden Grove Boulevard in Garden Grove, requested and is being recommended for a reservation of \$607,594 in annual federal tax credits to finance the acquisition and rehabilitation of 80 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners and is located in Senate District 34 and Assembly District 69.

Sungrove Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Sungrove Senior Apartments (CA-2001-134). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number	CA-20-496		
Project Name	Sungrove Senior Apartments		
Site Address:	12811 Garden Grove Boulevard		
	Garden Grove, CA 92843	County: Orange	
Census Tract:	885.02		

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$607,594	\$0
Recommended:	\$607,594	\$0

Applicant Information

Applicant:	Sungrove Garden Grove AR, L.P.
Contact:	Thomas Erickson
Address:	330 W. Victoria Street Gardena, CA 90148
Phone:	424-258-2918
Email:	thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s):	FFAH II Sungrove Senior, LLC HCHP Affordable Multi-Housing, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Foundation for Affordable Housing, Inc. Highridge Costa Housing Partners
Developer:	Highridge Costa Housing Partners
Investor/Consultant:	Victoria Capital, LLC
Management Agent:	Western National Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 82
 No. / % of Low Income Units: 80 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: Golden State Finance Authority
 Expected Date of Issuance: March 18, 2020

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 8	10%
45% AMI: 20	25%
50% AMI: 40	50%
60% AMI: 12	15%

Unit Mix

65 1-Bedroom Units
17 2-Bedroom Units
<u>82 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	30%	26%	\$587
16 1 Bedroom	45%	44%	\$979
32 1 Bedroom	50%	44%	\$979
10 1 Bedroom	60%	53%	\$1,175
2 2 Bedrooms	30%	25%	\$661
4 2 Bedrooms	45%	41%	\$1,101
8 2 Bedrooms	50%	41%	\$1,101
2 2 Bedrooms	60%	49%	\$1,322
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,175
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,322

Project Cost Summary at Application

Land and Acquisition	\$15,500,000
Construction Costs	\$0
Rehabilitation Costs	\$2,268,600
Construction Hard Cost Contingency	\$105,470
Soft Cost Contingency	\$9,800
Relocation	\$0
Architectural/Engineering	\$72,000
Const. Interest, Perm. Financing	\$960,035
Legal Fees	\$205,000
Reserves	\$210,200
Other Costs	\$99,839
Developer Fee	\$2,230,746
Commercial Costs	\$0
Total	\$21,661,690

Residential

Construction Cost Per Square Foot:	\$43
Per Unit Cost:	\$264,167
True Cash Per Unit Cost*:	\$183,019

Construction Financing

Source	Amount
Align Finance Partners	\$12,000,000
Golden State Finance Authority	\$500,000
Seller Carryback	\$5,525,491
Seller Note	\$430,500
Operating Income	\$615,890
Deferred Costs	\$1,723,988
Tax Credit Equity	\$865,822

Permanent Financing

Source	Amount
Align Finance Partners	\$7,689,000
Golden State Finance Authority	\$500,000
Seller Carryback	\$5,323,342
Seller Contribution	\$430,500
Income During Construction	\$615,890
Deferred Developer Fee	\$1,330,815
Tax Credit Equity	\$5,772,143
TOTAL	\$21,661,690

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,097,954
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$15,656,639
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,097,954
Qualified Basis (Acquisition):	\$15,656,639
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$100,319
Maximum Annual Federal Credit, Acquisition:	\$507,275
Total Maximum Annual Federal Credit:	\$607,594
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,230,746
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	\$0.95000

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:	\$18,754,593
Actual Eligible Basis:	\$18,754,593
Unadjusted Threshold Basis Limit:	\$25,745,445
Total Adjusted Threshold Basis Limit:	\$50,203,618

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: 75%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 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 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 3.24% 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-2001-134). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit

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 and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement. 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-01-134) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities of education classes and senior counseling services. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is committed to continue providing services for a period of at least 15 years. At placed-in-service, the project shall demonstrate that the services provided would be able to obtain 10 points for services pursuant to TCAC Regulation Section 10325(c)(5)(B) and that the services budget is reasonable and sufficient to support the

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 \$429,783. There is a general partner contribution to the project of \$430,500 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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.