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

Cobblestone Apartments, located at 870 S. Beach Boulevard in Anaheim, requested and is being recommended for a reservation of $393,395 in annual federal tax credits to finance the acquisition and rehabilitation 63 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Cobblestone Holdings LLC and is located in Senate District 29 and Assembly District 65.

Cobblestone Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Cobblestone Apartments (CA-2000-843). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-944

Project Name Cobblestone Apartments

Site Address:	870 S. Beach Boulevard		
	Anaheim, CA 92804	County:	Orange
Census Tract:	869.030		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$393,395	$0
Recommended:	$393,395	$0

Applicant Information

Applicant:	Cobblestone 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
	Cobblestone Holdings LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Affordable Housing Access, Inc.
	KDF Communities LLC
Developer:	Cobblestone Holdings LLC
Investor/Consultant:	R4 Capital
Management Agent:	VPM Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	5	
Total # of Units:	64	
No. & % of Tax Credit Units:	63	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: 13
Number of Units @ or below 60% of area median income: 50

Bond Information

Issuer:	Anaheim Housing Authority
Expected Date of Issuance:	January 19, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	Orange County
TCAC Project Analyst:	Jack Waegell

Unit Mix

55	1-Bedroom Units
9	2-Bedroom Units
64	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
11	1 Bedroom	50%	50%	$914
2	2 Bedrooms	50%	47%	$1,028
44	1 Bedroom	60%	60%	$1,097
6	2 Bedrooms	60%	60%	$1,317
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,272

Project Cost Summary at Application	
Land and Acquisition	$9,280,000
Construction Costs	$0
Rehabilitation Costs	$1,876,369
Construction Contingency	$115,216
Relocation	$0
Architectural/Engineering	$10,800
Const. Interest, Perm. Financing	$901,280
Legal Fees, Appraisals	$65,000
Reserves	$178,090
Other Costs	$297,057
Developer Fee	$1,494,000
Commercial Costs	$0
Total	**$14,217,812**

Project Financing	
Estimated Total Project Cost:	$14,217,812
Estimated Residential Project Cost:	$14,217,812
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$38
Per Unit Cost:	$222,153
True Cash Per Unit Cost*:	$176,775

Construction Financing

Source	Amount
Citi Construction Phase Loan	$9,800,000
Seller Carryback Loan	$1,550,000
Tax Credit Equity	$1,523,121

Permanent Financing

Source	Amount
Citi Permanent Phase Loan	$6,310,000
Seller Carryback Loan	$1,550,000
General Partner Equity	$29,113
Cash Flow	$608,212
Deferred Developer Fee	$1,354,200
Tax Credit Equity	$4,366,287
TOTAL	**$14,217,812**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$2,935,606
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$8,510,385
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$3,816,288
Qualified Basis (Acquisition):	$8,510,385
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$116,807
Maximum Annual Federal Credit, Acquisition:	$276,588
Total Maximum Annual Federal Credit:	$393,395
Approved Developer Fee in Project Cost:	$1,494,000
Approved Developer Fee in Eligible Basis:	$1,479,956
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$1.10990

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:	$11,445,991
Actual Eligible Basis:	$11,445,991
Unadjusted Threshold Basis Limit:	$11,879,850
Total Adjusted Threshold Basis Limit:	$14,255,820

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: 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 3.25% 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

Before closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-00-843). 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 13 units at or below 50% AMI and 50 units at or below 60% AMI. 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 for the duration of the new regulatory agreement.

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 $29,113. In lieu of a Short Term Work Capitalized Replacement Reserve, there is a general partner equity contribution of $29,113, allowing the applicant to use the Short Term Work Capitalized Reserve amount to fund rehabilitation expenses and to receive eligible basis for such amount.

Local Reviewing Agency
The Local Reviewing Agency, the City of Anaheim, has completed a site review of this project and strongly 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:

Federal Tax Credits/Annual	State Tax Credits/Total
$393,395	**$0**

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.