

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 First Round Cycle
Tax-Exempt Bond Project with State Credits
June 20, 2008

Project Number CA-2008-851
Project Name Belovida Santa Clara Senior Apartments
Site Address: 1820 Main Street
Santa Clara, CA 95050 **County:** Santa Clara
Census Tract: 5052.02

Applicant Information

Applicant: Belovida Santa Clara, L.P., a California Limited Partnership
Contact Dixie Baus
Address: 470 S. Market Street
San Jose, CA 95113
Phone: (408) 292-7841, Ext. 32 **Fax:** (408) 292-0339
Sponsors Type: Joint Venture

Information

Housing Type: Senior

Bond Information

Issuer: ABAG
Estimated Date of Issuance: June 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$9,806,895
Requested: \$9,806,895
Maximum Permitted: \$15,447,136

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
Local Development Impact Fees:
95% of Upper Floor Units are Elevator-Serviced: 10%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 66%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 66%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$353,048	\$1,274,896
Recommended:	\$353,048	\$1,274,896

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 28
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 27 units
 55-Year Use/Affordability Restriction: Yes
 Breakdown by %: 30% @ 30%, 30% @ 40%, 30% @ 50%
 Number of Units @ or below 50% of area median income: 27

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Owner/Management Characteristics Maximum of 9 points	9	8	7
<input checked="" type="checkbox"/> General Partner Experience	6	6	5
<input checked="" type="checkbox"/> Management Experience	3	2	2
Housing Needs Maximum of 10 points	10	10	10
Site Amenities Maximum of 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input checked="" type="checkbox"/> Senior project within ½ mile of daily operated senior center or facility for seniors	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
Service Amenities Maximum of 10 points	10	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After	5	5	5
Sustainable Building Methods Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
Lowest Income Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed Maximum of 20 points	20	20	20
Total Points	124	118	117

Unit Type & Number	2008 Rents % of Area Median Income	Proposed Rent (including utilities)
3 One-Bedroom	30%	\$259
6 One-Bedroom	30%	\$597
9 One-Bedroom	40%	\$796
9 One-Bedroom	50%	\$995
1 Two-Bedroom	Manager's Unit	\$0

The general partners or principal owners are CORE Belovida, LLC & Charities Belovida, LLC.

The project developer are CORE Affordable Housing, LLC & Charities Housing Development Corporation.

The management services will be provided by Charities Housing Development Corporation.

The market analysis was provided by Gill Group.

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

Project Financing

Estimated Total Project Cost: \$10,883,397 Per Unit Cost: \$388,693 Construction Cost Per Sq. Foot: \$451

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
California Bank & Trust – TE Bonds	\$5,443,573	California Bank & Trust – TE Bonds	\$763,000
City of Santa Clara	\$3,661,487	City of Santa Clara	\$4,640,000
Santa Clara County Trust Fund	\$500,000	Santa Clara County Trust Fund	\$500,000
Deferred Developer Fee	\$1,278,337	Mental Health Service Act (MHSA)	\$300,000
		Federal Home Loan Bank – AHP	\$140,000
		Deferred Developer Fee	\$167,503
		Investor Equity	\$4,372,894
		TOTAL	\$10,883,397

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,806,895
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$9,806,895
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$353,048
State Credit Applicable Rate:	13%
Total State Credit:	\$1,274,896
Approved Developer Fee:	\$1,279,160
Tax Credit Factor: <i>Apollo Housing Capital, LLC</i>	
<i>Federal:</i>	\$0.9100
<i>State:</i>	\$0.6500

Applicant requests and staff recommends annual federal credits of \$353,048 and total state credits of \$1,274,896, based on a qualified basis of \$9,806,895 and a funding shortfall of \$4,372,894.

Cost Analysis and Line Item Review

The requested eligible basis \$9,806,895 is below TCAC’s adjusted threshold basis limit \$15,447,136. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, local development impact fees, projects that include 95% of upper floor units are elevator-serviced, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, where at least 75% of the construction and demolition waste (measured by either weight or volume) will be recycled, using vent kitchen range hoods to the exterior of the building in at least 80% of the units, using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board’s Recycled Content Products Database. Staff analysis of project costs to determine reasonableness found most fees to be within TCAC’s underwriting guidelines and TCAC limitation with the exception of the contractor profit, overhead and general requirement costs as explained in the Special Issues section of this report below.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The applicant's estimate of the 3-month operating reserve amount in the development budget does not equal 3 months of the annual debt service and annual operating expense (less service amenity budget, replacement reserve and real estate taxes). Please note that the 3-month operating reserve amount must equal 3 months of the annual debt service and annual operating expense (less service amenity budget, replacement reserve and real estate taxes) at final review, prior to the issuance of the IRS 8609 forms.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$353,048	\$1,274,896

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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is November 17, 2008, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Anthony Zeto