CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 16, 2008

Project Number CA-2008-852

Project Name Rincon Gardens
Site Address: 400 West Rincon Avenue
Campbell, CA 95008 County: Santa Clara
Census Tract: 5065.03

Applicant Information
Applicant: Rincon Gardens Associates LP, a California Limited Partnership
Contact Richard Warren
Address: 100 Great Oaks Blvd., 2nd Floor
San Jose, CA 95119
Phone: (408) 361-4625 Fax: (408) 361-4663
Sponsors Type: Nonprofit

Information
Housing Type: Senior

Bond Information
Issuer: Housing Authority of the County of Santa Clara
Expected Date of Issuance: July 30, 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $41,180,172
Requested: $41,180,172
Maximum Permitted: $49,684,853

Extra Feature Adjustments:
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4% ☒
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: 10% ☒

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$1,391,890	$0
Recommended:	$1,391,890	$0

Project Information
Construction Type: Acquisition & Rehabilitation
Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Rental Subsidy
HCD MHP Funding: No
Total # of Units: 200
Total # Residential Buildings: 1

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 198 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 20
Number of Units @ or below 60% of area median income: 178

Unit Type & Number		2008 Rents % of Area Median Income	Proposed Rent (including utilities)
170	One-Bedroom	15%	$296
20	One-Bedroom	15%	$296
8	Two-Bedroom	15%	$357
2	Two-Bedroom	Manager's Unit	$0

The general partner or principal owner is Avenida Espana HDC, Inc.

The project developer is Housing Authority of the County of Santa Clara.

The management services will be provided by Property Management, Inc.

The market analysis was provided by CBRE – Valuation & Advisory Services (CB Richard Ellis).

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

Project Financing

Estimated Total Project Cost: $42,668,548 Per Unit Cost: $213,343 Construction Cost Per Sq. Foot: $86

Construction Financing Source	Amount	Permanent Financing Source	Amount
Washington Mutual Bank – Construction Loan (T.E. Bonds)	$7,210,000	Washington Mutual Construction to Permanent Loan 1 (T.E. Bonds)	$12,770,000
Washington Mutual Construction to Permanent Loan 1 (T.E. Bonds)	$12,770,000	Washington Mutual Construction to Permanent Loan 2 (T.E. Bonds)	$2,593,000
Washington Mutual Construction to Permanent Loan 2 (T.E. Bonds)	$2,593,000	Housing Authority of the County of Santa Clara	$14,070,000
Housing Authority of the County of Santa Clara	$15,670,000	Investor Equity	$13,235,548
		TOTAL	**$42,668,548**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$24,194,810
Requested Acquisition Eligible Basis:	$16,985,562
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$24,194,810
Qualified Acquisition Basis:	$16,985,562
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$780,417*
Maximum Annual Federal Acquisition Credit:	$611,473
Total Maximum Annual Federal Credit:	$1,391,890
Approved Developer Fee:	$1,510,000
Tax Credit Factor: *PNC Multifamily Capital*	$0.95090

* *Reduced by $90,596 to match total amount of federal tax credits requested.*

Applicant requests and staff recommends annual federal credits of $1,391,890, based on a qualified rehabilitation basis of $24,194,810, a qualified acquisition basis of $16,985,362, and a funding shortfall of $13,235,548.

Cost Analysis and Line Item Review
The requested eligible basis $41,180,172 is below TCAC's adjusted threshold basis limit $49,684,853. The basis limit includes the adjustment for extraordinary features for 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, and the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, where at least 75% of the construction and demolition waste (measured by either weight or volume) will be recycled, and using vent kitchen range hoods to the exterior of the building in at least 80% of the units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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: None

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
$1,391,890	**$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 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: The applicant/owner is required to provide the tenants with educational classes and contract for services for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Anthony Zeto