

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**September 23, 2009**

**Project Number** CA-2009-839

**Project Name** Belovida at Newbury Park Senior Apartments  
**Address:** 1777 Newbury Park Drive  
San Jose, CA 95133 County: Santa Clara

**Applicant Information**

**Applicant:** Core Affordable Housing, LLC  
**Contact** Dixie Baus  
**Address:** 470 S. Market Street  
San Jose, CA 95113  
**Phone:** (408) 292-7841 **Fax:** (408) 292-0339  
**Email:** dbaus@thecorecompanies.com  
**Sponsors Type:** Joint Venture

**Information**

**Housing Type:** Seniors

**Bond Information**

**Issuer:** City of San Jose  
**Expected Date of Issuance:** July 2009  
**Credit Enhancement:** None

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,726,226	\$0
Recommended:	\$1,723,660	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**Total # of Units:** 185  
**Total # Residential Buildings:** 1  
**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 184 units  
**55-Year Use/Affordability Restriction:** Yes

**Eligible Basis**

**Actual:** \$38,966,211  
**Requested:** \$38,966,211  
**Maximum Permitted:** \$106,014,884

**Adjustments to Threshold Basis Limit:**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Exceed Title 24 Standards by at Least 35%
- Distributive Energy Technologies and/or Renewable Energy Sources
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 75%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units that are Income Targeted at 35% AMI or Below: 25%
- 3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
  - Projects recycling at least 75% of the construction and demolition waste (measured by either weight or volume)
  - Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units
  - Projects 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)

<u>Unit Type &amp; Number</u>	<u>2009 Rents</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
46 One-bedroom Units	32%	\$625
97 One-bedroom Units	48%	\$938
41 One-bedroom Units	48%	\$954
1 Two-bedroom Unit	Manager’s Unit	\$1,193

The general partners or principal owners are Core Belovida Newbury, LLC and Cecilia Place Homes, Inc.

The project developer is Core Affordable Housing, LLC.

The management services will be provided by EAH, Inc.

The market analysis was provided by Gill Group.

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

**Project Financing**

Estimated Total Project Cost: \$50,799,398    Per Unit Cost: \$274,591    Construction Cost Per Sq. Foot: \$294

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Bank of America - Tax Exempt Bonds	\$26,200,000	Bank of America - Tax Exempt Bonds	\$11,713,402
City of San Jose - Predevelopment	\$500,000	City of San Jose	\$20,490,649
City of San Jose - Acquisition	\$9,010,386	City of San Jose - Interest Forgiveness	\$817,755
City of San Jose - Construction	\$7,632,351	City of San Jose - Bridge to IIG	\$3,123,330
City of San Jose - Bridge to IIG	\$3,123,330	FHLB AHP	\$1,000,000
General Partner Equity	\$1,229	General Partner Equity	\$1,229
Investor Equity	\$1,929,081	Deferred Developer Fee	\$208,483
		Investor Equity	\$13,444,550
		<b>TOTAL</b>	<b>\$50,799,398</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$38,966,211
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$50,656,074
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$1,723,660
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor:	Richman California Affordable Housing, LLC
Federal Tax Credit Factor:	\$0.78

**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 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 3.50% 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 project has designated one onsite manager unit for 184 tenant units. Typically for a project of this size two manager units are recommended. The applicant has provided a management plan and documented experience in successfully managing large properties with one onsite manager unit.

**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 Tax Credits/Annual**  
\$1,723,660

**State Tax Credits/Total**  
\$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 contracts for services free of charge 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:** Gina Ferguson