

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 Third Round

December 15, 2010

Project Number CA-2010-850

Project Name McCreery Courtyards
Site Address: 7173 McCreery Avenue
San Jose, CA 95116 County: Santa Clara
Census Tract: 5037.070

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,001,851	\$3,830,608
Recommended:	\$1,001,851	\$3,830,608

Applicant Information

Applicant: San Jose Pacific Associates, a California limited partnership
Contact: Caleb Roope
Address: 430 E. State Street, Suite 100
Eagle, ID 83616
Phone: 208.461.0022 **Fax:** 208.461.3267
Email: calebr@tpchousing.com

General partner(s) or principal owner(s): Roope, LLC
Central Valley Coalition for Affordable Housing
USA Grove Station, Inc.

General Partner Type: Joint Venture

Developers: Pacific West Communities, Inc.
USA Multi-Family Dev., Inc.

Investor/Consultant: Wells Fargo NA

Management Agent: USA Multi-Family Mgmt., Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 93
No. & % of Tax Credit Units: 92 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: Tax-Exempt
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 50 %
40% AMI: 25 %
50% AMI: 25 %

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: 03/15/2011
 Credit Enhancement: Citibank

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

56 2-Bedroom Units
 37 3-Bedroom Units

 93 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
28 2 Bedrooms	30%	30%	\$699
14 2 Bedrooms	40%	40%	\$932
14 2 Bedrooms	50%	50%	\$1,165
18 3 Bedrooms	30%	30%	\$797
9 3 Bedrooms	40%	40%	\$1,076
9 3 Bedrooms	50%	50%	\$1,345
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$36,833,017 Construction Cost Per Square Foot: \$228
 Per Unit Cost: \$396,054

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$21,632,013	Citibank, N.A.	\$5,200,000
City of San Jose - RDA Loan	\$7,900,000	City of San Jose - RDA Loan	\$7,900,000
HCD Infill Infrastructure Funds	\$3,720,000	HCD MHP	\$9,200,000
San Jose Pacific Assoc. - Deferred Costs	\$218,401	HCD Infill Infrastructure Funds	\$3,720,000
Deferred Developer Fee	\$1,200,000	Tax Credit Equity	\$10,813,017
Tax Credit Equity	\$2,162,603	TOTAL	\$36,833,017

Determination of Credit Amount(s)

Requested Eligible Basis:	\$29,466,219
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$29,466,219
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$1,001,851
Total State Credit:	\$3,830,608
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Wells Fargo NA
Federal Tax Credit Factor:	\$0.84991
State Tax Credit Factor:	\$0.59994

Per Regulation Section 10322(i)(4)(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:	\$29,466,219
Actual Eligible Basis:	\$29,466,219
Unadjusted Threshold Basis Limit:	\$26,542,848
Total Adjusted Threshold Basis Limit:	\$66,357,120

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: 50%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 100%

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. Staff noted that the annual operating expenses were short of the minimum operating expenses established in the Regulations by a minimal amount, and will require that an adjustment be made in the updated application pages by the time the project places-in-service showing that the minimum was met. The project pro forma shows a positive cash flow from year one, and staff has calculated federal tax credits based on 3.40% 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: None

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,001,851	\$3,830,608

Standard Conditions

The applicant must submit all documentation for any 180-Day Readiness Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Large Family proj. w/i ¼ mile of public school project children may attend	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	0	0
Sustainable Building Methods	8	8	8
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
CRI Green-label, low-VOC carpet and pad	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Recycled materials incorp. into concrete, carpet, road base, landscape	1	1	1
Construction Indoor Air Quality Management plan	2	2	2
Project has nonsmoking buildings or contiguous sections w/i a building	1	1	1
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	15	15
Total Points	124	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.