CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 10, 2012

Project Number CA-12-853

Project Name Villa Garcia

Site Address:	7213 Clarendon Street				
	San Jose,	CA	95129	County:	Santa Clara
Census Tract:	5079.050				

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$881,510	$0
Recommended:	$881,510	$0

Applicant Information

Applicant:	Clarendon Street, LP		
Contact:	Vanessa Cooper		
Address:	505 West Julian Street		
	San Jose, CA	95110	
Phone:	(408)361-4623	Fax:	(408)361-4850
Email:	VanessaC@hacsc.org		

General partner(s) or principal owner(s):	Villa Garcia, Inc.
General Partner Type:	Nonprofit
Developer:	Housing Authority of the County of Santa Clara
Investor/Consultant:	Community Economics
Management Agent:	John Stewart Co.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 10
Total # of Units: 80
No. & % of Tax Credit Units: 79 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Project-Based Section 8 Contract (42 units - 53%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 42
Number of Units @ or below 60% of area median income: 37

Bond Information

Issuer: Housing Authority of the County of Santa Clara
Expected Date of Issuance: October 15, 2012
Credit Enhancement: None

Information

Housing Type:	Large Family
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Benjamin Schwartz

Unit Mix

8	SRO/Studio Units
17	1-Bedroom Units
24	2-Bedroom Units
25	3-Bedroom Units
6	4-Bedroom Units
80	Total Units

Unit Type & Number		2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	SRO/Studio	50%	50%	$918
13	1 Bedroom	50%	50%	$984
4	1 Bedroom	60%	31%	$611
9	2 Bedrooms	50%	50%	$1,181
14	2 Bedrooms	60%	32%	$754
9	3 Bedrooms	50%	50%	$1,365
16	3 Bedrooms	60%	34%	$934
3	4 Bedrooms	50%	50%	$1,522
3	4 Bedrooms	60%	35%	$1,061
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing

Estimated Total Project Cost:	$25,156,427
Estimated Residential Project Cost:	$25,156,427

Residential

Construction Cost Per Square Foot:	$126
Per Unit Cost:	$314,455

Construction Financing

Source	Amount
Bank of America	$12,100,000
Housing Authority County of Santa Clara	$10,250,000
GP Equity	$999
Tax Credit Equity	$150,000

Permanent Financing

Source	Amount
Bank of America	$3,505,000
Bank of America	$2,227,000
Housing Authority County of Santa Clara	$10,167,568
GP Equity	$999
Tax Credit Equity	$9,255,860
TOTAL	**$25,156,427**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,844,480
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$10,849,390
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$16,697,824
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	$10,849,390
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$534,330
Maximum Annual Federal Credit, Acquisition:	$347,180
Total Maximum Annual Federal Credit:	$881,510
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,192,005
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$1.05000

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:	$23,693,871
Actual Eligible Basis:	$23,693,871
Unadjusted Threshold Basis Limit:	$20,998,965
Total Adjusted Threshold Basis Limit:	$36,328,209

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 53%

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 3.20% 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

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**
$881,510	**$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: The applicant/owner is required to provide the tenants with the following service amenities 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:

- After school program
- Educational classes
- Bona fide service coordinator

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project will be rehabilitated to improve energy efficiency with a 15% decrease in estimated annual energy use (or improvement in energy efficiency) in the building’s Home Energy Rating System II (HERS II) rating post rehabilitation.