

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**January 29, 2014**

**Project Number** CA-14-808

**Project Name** Garfield Park Village  
 Site Address: 721 Bay Street  
 Santa Cruz, CA 95060 County: Santa Cruz  
 Census Tract: 1011.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,010,415	\$0
Recommended:	\$1,010,415	\$0

**Applicant Information**

Applicant: Garfield Park Village, LP  
 Contact: Hitesh Jadav  
 Address: 303 Hegenberger Road, Unit 201  
 Oakland, CA 94621  
 Phone: 510-746-4121 Fax: 510-632-6704  
 Email: hjadav@cchnc.org

General Partner(s) or Principal Owner(s): GPV Housing, LLC  
 General Partner Type: Nonprofit  
 Parent Company(ies): Christian Church Homes  
 Developer: Christian Church Homes  
 Investor/Consultant: California Housing Partnership Corp.  
 Management Agent: Christian Church Homes

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 13  
 Total # of Units: 94  
 No. & % of Tax Credit Units: 82 88.17%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME / HUD Flex Sub Loan /  
 HUD Section 8 Project-Based Contract (63 units - 67%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 69  
 Number of Units @ or below 60% of area median income: 13

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: April 30, 2014  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

34 SRO/Studio Units  
 52 1-Bedroom Units  
 8 2-Bedroom Units  


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 94 Total Units

<u>Unit Type &amp; Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
27 SRO/Studio	50%	47%	\$765
37 1 Bedroom	50%	50%	\$867
5 2 Bedrooms	50%	50%	\$1,041
5 SRO/Studio	60%	47%	\$765
7 1 Bedroom	60%	60%	\$1,040
1 2 Bedrooms	60%	60%	\$1,249
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
2 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,265
8 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,343
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,609

**Project Financing**

Estimated Total Project Cost: \$34,129,214  
 Estimated Residential Project Cost: \$34,129,214

**Residential**

Construction Cost Per Square Foot: \$169  
 Per Unit Cost: \$363,077

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bonds	\$19,019,585
Seller Financing	\$10,477,940
HUD Flex Sub Loan	\$1,058,310
General Partner Loan	\$406,572
Existing Replacement Reserves	\$284,750
Costs Deferred Until Conversion	\$1,715,604
Deferred Developer Fee	\$732,033
Tax Credit Equity	\$434,420

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citibank - Perm Loan	\$8,981,200
Seller Financing	\$10,477,940
HUD Flex Sub Loan	\$1,058,310
General Partner Loan	\$406,572
Existing Replacement Reserves	\$284,750
City of Santa Cruz - HOME	\$755,000
AHP	\$940,000
Deferred Developer Fee	\$732,033
Tax Credit Equity	\$10,493,409
<b>TOTAL</b>	<b>\$34,129,214</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$18,396,495
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$12,172,321
Applicable Fraction:	87.50%
Qualified Basis (Rehabilitation):	\$20,925,135
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$10,650,334
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$669,604
Maximum Annual Federal Credit, Acquisition:	\$340,811
Total Maximum Annual Federal Credit:	\$1,010,415
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.03852

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:	\$30,568,816
Actual Eligible Basis:	\$30,568,816
Unadjusted Threshold Basis Limit:	\$19,281,398
Total Adjusted Threshold Basis Limit:	\$35,477,773

**Adjustments to Basis Limit:**

95% of Upper Floor Units are Elevator-Serviced  
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted  
between 50% AMI & 36% AMI: 74%

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,010,415</b>	<b>\$0</b>

**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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.