

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 15, 2015

Project Number CA-15-855

Project Name Town Park Towers
 Site Address: 60 North Third Street
 San Jose, CA 95112 County: Santa Clara
 Census Tract: 5010.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,624,904	\$0
Recommended:	\$2,624,904	\$0

Applicant Information

Applicant: Northern California Presbyterian Homes and Services, Inc. (NCPHS)
 Contact: Janet Howley
 Address: 1525 Post Street
 San Francisco, CA 94109
 Phone: 415-351-3641
 Email: JHowley@ncphs.org

General Partner(s) or Principal Owner(s): NCPHS TPT LLC
 General Partner Type: Nonprofit
 Parent Company(ies): NCPHS TPT LLC
 Developer: NCPHS
 Investor/Consultant: Community Economics, Inc.
 Management Agent: NCPHS

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 216
 No. & % of Tax Credit Units: 216 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-Based Contract (173 units - 80%)
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 98
 Number of Units @ or below 60% of area median income: 118

Bond Information

Issuer: City of San Jose
 Expected Date of Issuance: October 15, 2015
 Credit Enhancement: No

Information

Housing Type: Seniors
Geographic Area: South and West Bay Region
TCAC Project Analyst: Mayra Lozano

Unit Mix

144 SRO/Studio Units
72 1-Bedroom Units

216 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
26 SRO/Studio	50%	44%	\$819
5 SRO/Studio	50%	48%	\$887
12 SRO/Studio	50%	50%	\$931
13 SRO/Studio	50%	50%	\$931
88 SRO/Studio	60%	60%	\$1,117
10 1 Bedroom	50%	50%	\$997
12 1 Bedroom	50%	50%	\$997
20 1 Bedroom	50%	50%	\$997
30 1 Bedroom	60%	60%	\$1,196

Project Cost Summary at Application

Land and Acquisition	\$47,365,760
Construction Costs	\$0
Rehabilitation Costs	\$17,891,200
Construction Contingency	\$4,717,446
Relocation	\$1,840,000
Architectural/Engineering	\$1,079,706
Construction Interest, Perm Financing	\$3,713,232
Legal Fees, Appraisals	\$34,482
Reserves	\$1,578,906
Other Costs	\$1,991,661
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$82,712,392

Project Financing

Estimated Total Project Cost:	\$82,712,393
Estimated Residential Project Cost:	\$82,712,393

Construction Financing

Source	Amount
Citibank NA	\$48,000,000
Seller Take Back	\$30,264,385
Income from Operations	\$216,038
Tax Credit Equity	\$1,118,870

Residential

Construction Cost Per Square Foot:	\$149
Per Unit Cost:	\$382,928

Permanent Financing

Source	Amount
Citibank NA	\$23,008,500
Seller Take Back	\$30,264,385
Income from Operations	\$216,038
General Partner Equity	\$2,933
Tax Credit Equity	\$29,220,537
TOTAL	\$82,712,393

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$29,118,437
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$41,688,562
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$37,853,968
Qualified Basis (Acquisition):	\$41,688,562
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$1,249,181
Maximum Annual Federal Credit, Acquisition:	\$1,375,723
Total Maximum Annual Federal Credit:	\$2,624,904
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,142,479
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.11320

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:	\$70,806,999
Actual Eligible Basis:	\$70,806,999
Unadjusted Threshold Basis Limit:	\$49,750,632
Total Adjusted Threshold Basis Limit:	\$72,138,416

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: 45%

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 3.30% 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: The applicant requested and was granted a waiver to the manager unit requirement of TCAC Regulation Section 10325(f)(7)(J) under the following conditions: (1) the property management staff is employed full-time at the property, (2) coverage by on-site 24-hour desk or security staff capable of responding to emergencies, and (3) all staff or contractors performing this task shall be knowledgeable of how the property's fire system operates and be trained in, and participated in, fire evacuation drills for tenants. TCAC reserves the right to revoke this waiver if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or

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
\$2,624,904	\$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:

- 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) 30% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.