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

Project Number CA-15-860

Project Name Canoas Terrace Apartments
Site Address: 420 Sands Drive
San Jose, CA 95125 County: Santa Clara
Census Tract: 5031.080

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$975,077	$0
Recommended:	$975,077	$0

Applicant Information
Applicant: ISG Canoas Terrace L.P.
Contact: Denny Hou
Address: One Embarcadero Center, Suite 500
San Francisco, CA 94111
Phone: (650) 898-7081 Fax: (415) 276-9364
Email: denny@sierrapointgroup.com

General Partner(s) or Principal Owner(s): AOF/Pacific Affordable Housing Corp.
ISG Development II LLC
General Partner Type: Joint Venture
Parent Company(ies): The American Opportunity Foundation, Inc.
ISG Development II LLC
Developer: ISG Development II LLC
Investor/Consultant: Boston Financial Investment Management
Management Agent: FPI Management Inc.

Project Information
Construction Type: Acquisition and Rehabilitation
Total # Residential Buildings: 12
Total # of Units: 112
No. & % of Tax Credit Units: 111 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 45
Number of Units @ or below 60% of area median income: 66

Bond Information

Issuer:	City of San Jose
Expected Date of Issuance:	September 30, 2015
Credit Enhancement:	No

Information

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

Unit Mix

57	2-Bedroom Units
48	3-Bedroom Units
7	4-Bedroom Units
112	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
23	2 Bedrooms	50%	50%	$1,196
33	2 Bedrooms	60%	60%	$1,435
2	3 Bedrooms	60%	60%	$1,659
19	3 Bedrooms	50%	50%	$1,382
27	3 Bedrooms	60%	60%	$1,659
3	4 Bedrooms	50%	50%	$1,542
4	4 Bedrooms	60%	60%	$1,851
1	2 Bedrooms	Manager's Unit	Manager's Unit	$1,391

Project Cost Summary at Application	
Land and Acquisition	$23,680,000
Construction Costs	$0
Rehabilitation Costs	$5,114,443
Construction Contingency	$502,626
Relocation	$50,000
Architectural/Engineering	$82,000
Construction Interest, Perm Financing	$1,182,530
Legal Fees, Appraisals	$174,000
Reserves	$417,664
Other Costs	$255,982
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$33,959,245**

Project Financing	
Estimated Total Project Cost:	$33,959,245
Estimated Residential Project Cost:	$33,959,245

Residential	
Construction Cost Per Square Foot:	$49
Per Unit Cost:	$303,208

Construction Financing

Source	Amount
Citi Community Capital	$23,750,000
Deferred Developer Fee	$1,516,215
Tax Credit Equity	$8,693,030

Permanent Financing

Source	Amount
Citi Community Capital	$18,461,011
Construction Period Income	$2,048,693
GP Equity	$1,500,000
Deferred Developer Fee	$1,516,215
Tax Credit Equity	$10,433,326
TOTAL	**$33,959,245**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,505,736
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$22,045,013
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,505,736
Qualified Basis (Acquisition):	$22,045,013
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$247,592
Maximum Annual Federal Credit, Acquisition:	$727,485
Total Maximum Annual Federal Credit:	$975,077
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	$1.07000

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:	$29,550,749
Actual Eligible Basis:	$29,550,749
Unadjusted Threshold Basis Limit:	$39,143,027
Total Adjusted Threshold Basis Limit:	$54,800,238

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: 40%

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 exceeds 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: This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Canoas Terrace Apartments (CA-95-123).

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
$975,077	**$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 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.