

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 15, 2017

Renascent Place, located at 2500 Senter Road in San Jose, requested and is being recommended for a reservation of \$2,328,039 in annual federal tax credits to finance the new construction of 160 units of housing serving tenants with rents affordable to households earning 20-50% of area median income (AMI). The project will be developed by Charities Housing and will be located in Senate District 15 and Assembly District 27.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the AHSC program of HCD.

Project Number CA-17-712

Project Name Renascent Place
 Site Address: 2500 Senter Road
 San Jose, CA 95111 County: Santa Clara
 Census Tract: 5032.130

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,328,039	\$0
Recommended:	\$2,328,039	\$0

Applicant Information

Applicant: Renascent Place, LP
 Contact: Kathy Robinson
 Address: 1400 Parkmoor Ave., Ste. 190
 San Jose, CA 95126
 Phone: 408-550-8311 Fax: 408-550-8339
 Email: krobinson@charitieshousing.org

General Partner(s) or Principal Owner(s): Renascent Place Charities, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Charities Housing
 Developer: Charities Housing
 Investor/Consultant: California Housing Partnership Corp.
 Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 162
 No. & % of Tax Credit Units: 160 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-Based Vouchers (160 units -100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 56
 Number of Units @ or below 50% of area median income: 104

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: October 1, 2017
 Credit Enhancement: No

Information

Housing Type: Single Room Occupancy
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Marlene McDonough

Unit Mix

160 SRO/Studio Units
2 2-Bedroom Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
16 SRO/Studio	20%	19%	\$372
40 SRO/Studio	30%	29%	\$559
32 SRO/Studio	40%	38%	\$745
72 SRO/Studio	50%	48%	\$931
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$75,456,480

Project Cost Summary at Application

Land and Acquisition	\$11,168,683
Construction Costs	\$34,372,394
Rehabilitation Costs	\$0
Construction Contingency	\$3,562,012
Relocation	\$0
Architectural/Engineering	\$2,028,767
Const. Interest, Perm. Financing	\$4,288,254
Legal Fees, Appraisals	\$163,624
Reserves	\$5,906,819
Other Costs	\$5,540,464
Developer Fee	\$7,262,017
Commercial Costs	\$482,989
Total	\$74,776,023

Project Financing

Estimated Total Project Cost:	\$74,776,023
Estimated Residential Project Cost:	\$74,232,454
Estimated Commercial Project Cost:	\$543,569

Residential

Construction Cost Per Square Foot:	\$392
Per Unit Cost:	\$458,225
True Cash Per Unit Cost*:	\$379,920

Construction Financing

Source	Amount
Citibank	\$38,215,127
Co. of Santa Clara AHF	\$13,070,000
Co. of Santa Clara Land Donation	\$9,960,000
City of San Jose Parkland Fee Waiver	\$608,000
General Partner Equity	\$3,762,017
Deferred Costs	\$5,397,378
Deferred Developer Fee	\$1,495,621
Tax Credit Equity	\$2,267,880

Permanent Financing

Source	Amount
Citibank	\$9,054,000
Co. of Santa Clara - AHF	\$16,070,000
Co. of Santa Clara - Land Donation	\$9,960,000
City of San Jose Parkland Fee Waiver	\$608,000
AHP	\$800,000
HCD - AHSC Loan	\$7,766,134
HCD - AHSC Grant	\$1,411,449
General Partner Capital Contribution	\$3,762,017
Deferred Developer Fee	\$1,495,621
Tax Credit Equity	\$23,848,802
TOTAL	\$74,776,023

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$55,614,884
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$72,299,349
Applicable Rate:	3.22%
Total Maximum Annual Federal Credit:	\$2,328,039
Approved Developer Fee in Project Cost:	\$7,262,017
Approved Developer Fee in Eligible Basis:	\$7,201,437
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.02442

Per Regulation Section 10322(h)(9)(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:	\$55,614,884
Actual Eligible Basis:	\$55,614,884
Unadjusted Threshold Basis Limit:	\$40,074,560
Total Adjusted Threshold Basis Limit:	\$96,908,125

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

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: 65%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 70%

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 3.22% 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, The City of San Jose, has completed a site review of this project and strongly supports this project.

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
\$2,328,039	\$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: None