

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2011

Project Number CA-2011-893

Project Name 3rd Street Residential Development
 Site Address: 1010 S. 3rd Street
 San Jose, CA 95112 County: Santa Clara
 Census Tract: 5031.120

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$432,216	\$0
Recommended:	\$432,216	\$0

Applicant Information

Applicant: 3rd Street Residential Development, L.P.
 Contact: Andrew Hanna
 Address: 2010 Main Street, Suite 1250
 Irvine CA 92614
 Phone: (949) 222-9119 Fax: (949) 222-0942
 Email: andrew@globalpremierdevelopment.com

General partner(s) or principal owner(s): Global Premier Development, Inc.
 Foundation for Affordable Housing V, Inc.

General Partner Type: Joint Venture
 Developer: Global Premier Development, Inc.
 Investor/Consultant: Boston Capital
 Management Agent: Buckingham Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 37
 No. & % of Tax Credit Units: 36 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 4
 Number of Units @ or below 50% of area median income: 13
 Number of Units @ or below 60% of area median income: 19

Bond Information

Issuer: City of San Jose
 Expected Date of Issuance: 12/12/11
 Credit Enhancement: None

Information

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

Unit Mix

14 1-Bedroom Units
 11 2-Bedroom Units
 12 3-Bedroom Units

 37 Total Units

Unit Type & Number	2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4 1 Bedroom	30%	30%	\$583
9 1 Bedroom	50%	50%	\$971
2 2 Bedrooms	50%	50%	\$1,166
9 2 Bedrooms	60%	60%	\$1,399
2 3 Bedrooms	50%	50%	\$1,346
10 3 Bedrooms	60%	60%	\$1,616
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$13,003,685
 Estimated Residential Project Cost: \$13,003,685

Residential

Construction Cost Per Square Foot: \$87
 Per Unit Cost: \$351,451

Construction Financing

Permanent Financing

Source	Amount
NARA Bank	\$7,298,412
Seller Note	\$1,400,000
CPCFA CalReUse Grant	\$546,500
HCD Infill Grant	\$1,644,800
Deferred Developer Fee	\$1,275,475
Tax Credit Equity	\$838,498

Source	Amount
NARA Bank	\$4,037,034
Seller Note	\$1,400,000
CPCFA CalReUse Grant	\$546,500
HCD Infill Grant	\$1,644,800
Deferred Developer Fee	\$1,182,856
Tax Credit Equity	\$4,192,495
TOTAL	\$13,003,685

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,778,640
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$12,712,232
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$432,216
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,275,475
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.97000

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:	\$9,778,640
Actual Eligible Basis:	\$9,778,640
Unadjusted Threshold Basis Limit:	\$9,749,666
Total Adjusted Threshold Basis Limit:	\$20,071,555

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 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: 36%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 22%

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 3.40% 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, 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
\$432,216	\$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 an allocation 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 educational classes 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