

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 First Round
July 11, 2012

Project Number CA-12-040

Project Name Villa Vasona Apartments
 Site Address: 626 West Parr Avenue
 Los Gatos, CA 95032 County: Santa Clara
 Census Tract: 5067.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,038,417	\$0
Recommended:	\$1,038,417	\$0

Applicant Information

Applicant: Highland Property Development, LLC
 Contact: William E. Rice
 Address: 250 West Colorado Boulevard, Suite 210
 Arcadia CA 91007
 Phone: (626) 294-9230 Fax: (626) 294-9270
 Email: b.rice@highlandcompanies.com

General partner(s) or principal owner(s): HPD Villa Vasona LLC
 MHDC CA MGP, LLC
 General Partner Type: Joint Venture
 Developer: Highland Property Development
 Investor/Consultant: Boston Capital
 Management Agent: DKD Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 7
 Total # of Units: 107
 No. & % of Tax Credit Units: 105 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Project-Based Section 8 - 105 units (100%)
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	11	10 %
45% AMI:	27	25 %
50% AMI:	42	40 %

Information

Set-Aside: At-Risk
 Housing Type: Seniors
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

81 SRO/Studio Units
 26 1-Bedroom Units

 107 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 SRO/Studio	30%	30%	\$551
21 SRO/Studio	45%	45%	\$826
32 SRO/Studio	50%	50%	\$918
20 SRO/Studio	60%	57%	\$1,053
3 1 Bedroom	30%	30%	\$590
6 1 Bedroom	45%	45%	\$885
10 1 Bedroom	50%	50%	\$984
5 1 Bedroom	60%	60%	\$1,181
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$22,544,150
 Estimated Residential Project Cost: \$22,544,150

Construction Financing

<u>Source</u>	<u>Amount</u>
Bonneville Mortgage Co. - Tranche A	\$10,480,507
Bonneville Mortgage Co. - Tranche B	\$1,519,493
Tax Credit Equity	\$8,014,950

Residential

Construction Cost Per Square Foot: \$85
 Per Unit Cost: \$210,693

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bonneville Mortgage Co - Tranche A	\$10,480,507
Bonneville Mortgage Co - Tranche B	\$1,519,493
Deferred Developer Fee	\$679,188
Tax Credit Equity	\$9,864,962
TOTAL	\$22,544,150

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,267,619
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,194,079
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,847,905
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$13,194,079
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$616,207
Maximum Annual Federal Credit, Acquisition:	\$422,210
Total Maximum Annual Federal Credit:	\$1,038,417
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,315,369
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.95000

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:	\$18,461,698
Actual Eligible Basis:	\$18,461,698
Unadjusted Threshold Basis Limit:	\$17,362,914
Total Adjusted Threshold Basis Limit:	\$22,571,788

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	14.461%

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 meet 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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: Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 15 units upon completion of the project prior to the issuance of federal and state tax forms.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, Town of Los Gatos, 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
\$1,038,417	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	20	14	14
Public Funds	20	6	6
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 500 ft of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.