

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 11, 2012**

**Project Number** CA-12-844

**Project Name** La Moraga Apartments  
Site Address: NW corner of Charlotte Drive and Raleigh Road  
San Jose, CA 95123 County: Santa Clara  
Census Tract: 5120.290

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$363,069	\$0
Recommended:	\$363,069	\$0

**Applicant Information**

Applicant: La Moraga San Jose L.P.  
Contact: Trisha Malone  
Address: 1801 I Street Suite 200  
Sacramento CA 95811  
Phone: 916-444-9897 Fax: 916-444-9843  
Email: tlm@antonllc.com

General partner(s) or principal owner(s): Pacific Housing, Inc.  
Anton La Moraga, LLC  
General Partner Type: Joint Venture  
Developer: St. Anton Capital, LLC  
Investor/Consultant: St. Anton Investors, LLC  
Management Agent: St. Anton Management, Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 10  
Total # of Units: 275  
No. & % of Tax Credit Units: 57 21%  
Federal Set-Aside Elected: 20%/50%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 57

**Bond Information**

Issuer: City of San Jose  
Expected Date of Issuance: August 1, 2012  
Credit Enhancement: None

**Information**

Housing Type: Non-Targeted  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

112 1-Bedroom Units  
 130 2-Bedroom Units  
 33 3-Bedroom Units  


---

 275 Total Units

<u>Unit Type &amp; 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>
4 1 Bedroom	50%	50%	\$984
8 1 Bedroom	50%	50%	\$984
1 1 Bedroom	50%	50%	\$984
2 1 Bedroom	50%	50%	\$984
8 1 Bedroom	50%	50%	\$984
2 2 Bedrooms	50%	50%	\$1,181
11 2 Bedrooms	50%	50%	\$1,181
13 2 Bedrooms	50%	50%	\$1,181
8 3 Bedrooms	50%	48%	\$1,313
3 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,070
12 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,640
28 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,690
4 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,735
6 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,760
31 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,825
6 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,925
2 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,800
7 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,070
33 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,070
40 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,080
8 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,250
11 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,500
2 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,225
19 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,600
4 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,900
1 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,950
1 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$3,000

**Project Financing**

Estimated Total Project Cost:	\$65,567,926
Estimated Residential Project Cost:	\$65,567,926

**Construction Financing**

Source	Amount
Citi Community Capital	\$52,440,000
NOI During Lease Up	\$2,374,159
Developer Equity	\$5,417,680
Tax Credit Equity	\$3,086,087

**Residential**

Construction Cost Per Square Foot:	\$105
Per Unit Cost:	\$238,429

**Permanent Financing**

Source	Amount
Citi Community Capital	\$52,440,000
NOI During Lease Up	\$2,374,159
Deferred Developer Fee	\$1,900,000
Developer Equity	\$5,767,680
Tax Credit Equity	\$3,086,087
<b>TOTAL</b>	<b>\$65,567,926</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$42,918,187
130% High Cost Adjustment:	Yes
Applicable Fraction:	20.34%
Qualified Basis:	\$11,345,911
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$363,069
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	St. Anton Investors, LLC
Federal Tax Credit Factor:	\$0.85000

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:	\$42,918,187
Actual Eligible Basis:	\$42,918,187
Unadjusted Threshold Basis Limit:	\$65,953,872
Total Adjusted Threshold Basis Limit:	\$79,144,646

**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: 20%

**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 3.20% 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 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$363,069</b>	<b>\$0</b>

**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:

- After school program

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 becoming certified under any one of the following programs: Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines