

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 12, 2012**

**Project Number** CA-12-908

**Project Name** Gilroy Park Apartments  
**Site Address:** 260 Farrell Avenue  
Gilroy, CA 95020 County: Santa Clara  
**Census Tract:** 5125.060

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$349,007	\$0
Recommended:	\$349,007	\$0

**Applicant Information**

**Applicant:** Gilroy Park Investors, a California Limited Partnership  
**Contact:** Cameo Townzen  
**Address:** 1010 Racquet Club Drive, Suite 103  
Auburn, CA 95603  
**Phone:** (530) 823-2477 **Fax:** (530) 888-7931  
**Email:** cameot@cbmgroup.net

**General partner(s) or principal owner(s):** The Beneficial Housing Foundation  
CBM RJE, Inc.  
**General Partner Type:** Joint Venture  
**Developer:** CBM RJE, Inc.  
**Investor/Consultant:** Boston Capital  
**Management Agent:** The CBM Group, Inc.

**Project Information**

**Construction Type:** Acquisition & Rehabilitation  
**Total # Residential Buildings:** 19  
**Total # of Units:** 74  
**No. & % of Tax Credit Units:** 73 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**55-Year Use/Affordability:** Yes  
**Number of Units @ or below 50% of area median income:** 23  
**Number of Units @ or below 60% of area median income:** 50

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: January 31, 2013  
 Credit Enhancement: None

**Information**

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

**Unit Mix**

12 1-Bedroom Units  
 40 2-Bedroom Units  
 20 3-Bedroom Units  
 2 4-Bedroom Units  


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 74 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	60%	59%	\$1,164
12 2 Bedrooms	50%	50%	\$1,181
28 2 Bedrooms	60%	53%	\$1,257
6 3 Bedrooms	50%	50%	\$1,365
14 3 Bedrooms	60%	56%	\$1,516
1 4 Bedrooms	50%	48%	\$1,474
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$12,679,883  
 Estimated Residential Project Cost: \$12,679,883

**Residential**

Construction Cost Per Square Foot: \$38  
 Per Unit Cost: \$171,350

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank N.A.	\$10,200,000
Gilroy Park Investors	\$274,481
Tax Credit Equity	\$2,858,125

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citibank N.A.	\$9,000,000
Gilroy Park Investors	\$276,126
Deferred Developer Fee	\$437,197
Tax Credit Equity	\$2,966,560
<b>TOTAL</b>	<b>\$12,679,883</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$3,720,062
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$7,187,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,720,062
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$7,187,500
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$119,007
Maximum Annual Federal Credit, Acquisition:	\$230,000
Total Maximum Annual Federal Credit:	\$349,007
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,422,725
Investor/Consultant:	Boston Capital
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:	\$10,907,562
Actual Eligible Basis:	\$10,907,562
Unadjusted Threshold Basis Limit:	\$19,505,918
Total Adjusted Threshold Basis Limit:	\$25,552,753

**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: 31%

**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 3.20% 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, Gilroy Housing and Community Development Departments, has completed a site review of this project and 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$349,007</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 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 is a rehabilitation project not subject to Title 24, that reduces energy use on a per square foot basis by 15% as calculated using a methodology approved by the California Energy Commission.