

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 20, 2014**

Project Number CA-14-873

Project Name Parkview Family Apartments
Site Address: 360 Meridian Ave
San Jose, CA 95126 County: Santa Clara
Census Tract: 5019.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$835,135	\$0
Recommended:	\$835,135	\$0

Applicant Information

Applicant: Parkview Family EAH II, L.P.
Contact: Matt Steinle
Address: 2179 E Francisco Blvd., Suite B
San Rafael, CA 94901
Phone: (415) 295-8821 **Fax:** (415) 295-8821
Email: matt.steinle@eahhousing.org

General Partner(s) or Principal Owner(s): Parkview Family II LLC
EAH, Inc.
General Partner Type: Nonprofit
Parent Company(ies): EAH, Inc.
Developer: EAH, Inc.
Consultant: Community Economics, Inc.
Management Agent: EAH, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 2
Total # of Units: 90
No. & % of Tax Credit Units: 88 100.00%
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: 9
Number of Units @ or below 50% of area median income: 26
Number of Units @ or below 60% of area median income: 53

Bond Information

Issuer: City of San Jose
 Expected Date of Issuance: October 31, 2014
 Credit Enhancement: None

Information

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

Unit Mix

5 1-Bedroom Units
 52 2-Bedroom Units
 32 3-Bedroom Units
 1 4-Bedroom Units

 90 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$573
1 1 Bedroom	50%	50%	\$956
3 1 Bedroom	60%	60%	\$1,147
5 2 Bedrooms	30%	30%	\$688
16 2 Bedrooms	50%	50%	\$1,147
30 2 Bedrooms	60%	54%	\$1,243
3 3 Bedrooms	30%	30%	\$795
9 3 Bedrooms	50%	50%	\$1,325
19 3 Bedrooms	60%	60%	\$1,590
1 4 Bedrooms	60%	60%	\$1,774
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$26,164,768
 Estimated Residential Project Cost: \$26,164,768

Residential

Construction Cost Per Square Foot: \$38
 Per Unit Cost: \$290,720

Construction Financing

<u>Source</u>	<u>Amount</u>
Red Capital Construction Tax Exempt	\$14,500,000
Seller Carryback Loan	\$8,790,031
Tax Credit Equity	\$2,348,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
Red Capital FHA Insured Mortgage	\$6,347,000
Seller Carryback Loan	\$8,140,031
Sponsor Loan	\$2,295,209
GP Equity	\$897
Deferred Developer Fee	\$500,000
Tax Credit Equity	\$8,881,631
TOTAL	\$26,164,768

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,761,576
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$19,093,640
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,761,576
Qualified Basis (Acquisition):	\$19,093,640
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$193,589
Maximum Annual Federal Credit, Acquisition:	\$641,546
Total Maximum Annual Federal Credit:	\$835,135
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.06350

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:	\$24,855,216
Actual Eligible Basis:	\$24,855,216
Unadjusted Threshold Basis Limit:	\$28,455,752
Total Adjusted Threshold Basis Limit:	\$42,399,070

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: 29%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 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 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 3.36% 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:

This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Parkview Family Apartments (CA-95-106).

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
\$835,135

State Tax Credits/Total
\$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: 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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.