

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 First Round
June 10, 2015

Project Number CA-15-826

Project Name Casa Del Pueblo Senior Apartments
Site Address: 200, 230, 240 South Market Street
San Jose, CA 95113 County: Santa Clara
Census Tract: 5008.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,585,283	\$3,417,962
Recommended:	\$1,585,283	\$3,417,962

Applicant Information

Applicant: Casa Del Pueblo Preservation Limited Partnership
Contact: Jon Lalanne
Address: 21515 Hawthorne Blvd., Suite 125
Torrance, CA 95103
Phone: 310.802.6674 Fax: 310.802.6680
Email: jon@preservationpartners.org

General Partners/Principal Owners: Casa Del Pueblo Cornucopia LLC
Casa Del Pueblo Preservation Partners LLC
General Partner Type: Joint Venture
Parent Company(ies): Cornucopia Services
Preservation Partners
Developer: Preservation Partners Development III LP
Investor/Consultant: Candeur Group, LLC
Management Agent: Preservation Partners Management Group, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 165
 No. & % of Tax Credit Units: 163 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-Based Section 8 Contract (154 Units - 94%)
 HCD MHP Funding: No
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 17 10 %
 35% AMI: 17 10 %
 40% AMI: 17 10 %
 45% AMI: 17 10 %
 50% AMI: 17 10 %

Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 35% of area median income: 34
 Number of Units @ or below 50% of area median income: 51
 Number of Units @ or below 60% of area median income: 78

Bond Information

Issuer: City of San Jose
 Expected Date of Issuance: 09/15/15
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

165 1-Bedroom Units
 165 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>
78 1 Bedroom	60%	60%	\$1,147
17 1 Bedroom	30%	30%	\$573
17 1 Bedroom	35%	35%	\$669
17 1 Bedroom	40%	40%	\$765
17 1 Bedroom	45%	45%	\$860
8 1 Bedroom	50%	50%	\$956
9 1 Bedroom	50%	45%	\$865
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$30,794,421
Construction Costs	\$0
Rehabilitation Costs	\$18,809,219
Construction Contingency	\$1,928,719
Relocation	\$2,133,450
Architectural/Engineering	\$269,575
Construction Interest/Perm Financing	\$3,364,152
Legal Fees, Appraisals	\$105,000
Reserves	\$657,428
Other Costs	\$396,260
Developer Fee	\$2,500,000
Commercial Costs	\$3,105,579
Total	\$64,063,803

Project Financing

Estimated Total Project Cost:	\$64,063,803
Estimated Residential Project Cost:	\$60,958,224
Estimated Commercial Project Cost:	\$3,105,579

Residential

Construction Cost Per Square Foot:	\$164
Per Unit Cost:	\$369,444

Construction Financing

Source	Amount
Red Capital Group	\$30,000,000
Red Capital Group Tranche B	\$23,411,100
RSTEC* Seller Carryback Note	\$17,960,000
RSTEC* Below Market Land Value	\$4,310,000
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$15,882,703

*Retail Store Employees Building Corp.

Permanent Financing

Source	Amount
Red Capital Group	\$13,411,100
Red Capital Group Tranche B	\$10,000,000
RSTEC* Seller Carryback Note	\$17,960,000
RSTEC* Below Market Land Value	\$4,310,000
Deferred Developer Fee	\$422,097
Tax Credit Equity	\$17,960,606
TOTAL	\$64,063,803

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$26,292,012
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$21,746,857
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$26,292,012
Applicable Rate:	3.30%
Qualified Basis (Acquisition):	\$21,746,857
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$867,637
Maximum Annual Federal Credit, Acquisition:	\$717,646
Total Maximum Annual Federal Credit:	\$1,585,283
Total State Credit:	\$3,417,962
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Candeur Group, LLC
Federal Tax Credit Factor:	\$0.99282
State Tax Credit Factor:	\$0.65000

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:	\$48,038,869
Actual Eligible Basis:	\$48,038,869
Unadjusted Threshold Basis Limit:	\$41,692,035
Total Adjusted Threshold Basis Limit:	\$71,293,380

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%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 40%

Tie-Breaker Information

Final: **67.463%**

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 3.30% 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: The proposed rent does not include any utility allowance. The owner will pay for all utilities.

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 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,585,283	\$3,417,962

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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
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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE/600 bdrm	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: Sustainable Building Management Practices	3	3	3
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
Total Points	126	126	126

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.