

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2016 First Round**  
**June 8, 2016**

Park Avenue Senior Housing, located at 777 Park Avenue in San Jose, requested and is being recommended for a reservation of \$1,580,585 in annual federal tax credits and \$6,322,339 in total state tax credits to finance the new construction of 99 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by the Housing Authority of the County of Santa Clara and will be located in Senate District 15 and Assembly District 27.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Vouchers.

**Project Number** CA-16-846

**Project Name** Park Avenue Senior Housing  
**Site Address:** 777 Park Avenue  
San Jose, CA 95126 County: Santa Clara  
**Census Tract:** 5003.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,580,585	\$6,322,339
Recommended:	\$1,580,585	\$6,322,339

**Applicant Information**

**Applicant:** Park Avenue Seniors LP  
**Contact:** Flaherty Ward  
**Address:** 505 West Julian Street  
San Jose, CA 95110  
**Phone:** 408-975-4617 **Fax:** 408-975-3817  
**Email:** flaherty.ward@hacsc.org

**General Partner(s) / Principal Owner(s):** Pinmore HDC, Inc  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Housing Authority of the County of Santa Clara  
**Developer:** Housing Authority of the County of Santa Clara  
**Investor/Consultant:** California Housing Partnership Corporation  
**Management Agent:** FPI Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 100  
 No. & % of Tax Credit Units: 99 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Vouchers (99 Units - 100%)  
 HCD MHP Funding: No  
 Affordability Breakdown by Units and % (Lowest Income Points):  
     30% AMI: 10 10 %  
     35% AMI: 10 10 %  
     40% AMI: 20 20 %  
     50% AMI: 59 40 %

Affordability Breakdown by % (Basis Limit Increase):  
 Number of Units @ or below 35% of area median income: 20  
 Number of Units @ or below 50% of area median income: 79

**Bond Information**

Issuer: CA Municipal Finance Authority  
 Expected Date of Issuance: 12/01/16  
 Credit Enhancement: N/A

**Information**

Set-Aside: N/A  
 Housing Type: Seniors  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

94 1-Bedroom Units  
 6 2-Bedroom Units  


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 100 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 1 Bedroom	30%	30%	\$598
1 2 Bedrooms	30%	30%	\$718
10 1 Bedroom	35%	35%	\$698
20 1 Bedroom	40%	40%	\$798
55 1 Bedroom	50%	50%	\$997
4 2 Bedrooms	50%	50%	\$1,196
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$7,138,901
Construction Costs	\$33,887,376
Rehabilitation Costs	\$0
Construction Contingency	\$3,472,478
Relocation	\$0
Architectural/Engineering	\$1,228,019
Const. Interest & Perm Financing	\$2,920,300
Legal Fees, Appraisals	\$158,750
Reserves	\$440,544
Other Costs	\$4,106,702
Developer Fee	\$6,492,717
Commercial Costs	\$0
<b>Total</b>	<b>\$59,845,787</b>

**Project Financing**

Estimated Total Project Cost:	\$59,845,787
Estimated Residential Project Cost:	\$59,845,787
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$449
Per Unit Cost:	\$598,458
Effective Per Unit Cost*:	\$489,126

**Construction Financing**

Source	Amount
Citibank	\$39,053,609
HACSC - Seller Carryback Loan	\$6,000,000
HACSC - Moving to Work Loan	\$8,199,497
Accrued Soft Loan Interest	\$420,000
Impact Fee Waiver	\$940,500
Deferred Costs	\$701,135
Deferred Developer Fee	\$3,992,717
Tax Credit Equity	\$538,329

**Permanent Financing**

Source	Amount
Citibank - Tranche A	\$4,186,670
Citibank - Tranche B	\$12,797,100
HACSC - Seller Carryback Loan	\$6,000,000
HACSC - Moving to Work Loan	\$9,199,497
Accrued Soft Loan Interest	\$420,000
Impact Fee Waiver	\$940,500
Deferred Developer Fee	\$3,992,717
Tax Credit Equity	\$22,309,303
<b>TOTAL</b>	<b>\$59,845,787</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$48,633,376
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$48,633,376
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,580,585
Total State Credit:	\$6,322,339
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,492,717
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.15302
State Tax Credit Factor:	\$0.64609

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:	\$48,633,376
Actual Eligible Basis:	\$49,777,499
Unadjusted Threshold Basis Limit:	\$24,301,590
Total Adjusted Threshold Basis Limit:	\$63,279,425

**Adjustments to Basis Limit:**

- Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 79%
- 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: **53.148%**

**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 3.25% 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 the second phase of a previously awarded project, Laurel Grove Family Apartments (CA-16-822).

Development costs are roughly \$598,458 per unit. The factors contributing to the cost includes costs associated with the entitlement process, soils remediation, challenging site conditions, sound attenuation requirements, recent building code updates, and high construction costs in the area.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,580,585</b>	<b>\$6,322,339</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.

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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school	3	3	0
Senior project within ½ mile of daily operated senior center/facility	3	3	0
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Total Points</b>	<b>116</b>	<b>116</b>	<b>116</b>

**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.**