CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 16, 2018

Village at Willow Glen, located at 440 and 465 Willow Glen Way in San Jose, requested and is being recommended for a reservation of $1,333,207 in annual federal tax credits to finance the acquisition and rehabilitation of 132 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Irvine Related Development Company and is located in Senate District 15 and Assembly District 28.

Village at Willow Glen is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Willow Glen Senior Apartments (CA-2001-874). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-746

Project Name Village at Willow Glen
Site Address: 440 and 465 Willow Glen Way
San Jose, CA 95125 County: Santa Clara
Census Tract: 5031.23 and 5024.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,333,207	$0
Recommended:	$1,333,207	$0

Applicant Information
Applicant: Village at Willow Glen Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Ave., Suite 900
Irvine, CA 92612
Phone: (949) 660-7272
Email: fcardone@related.com

General Partner(s) or Principal Owner(s): Related/Village at Willow Glen Development Co., LLC
AHA San Jose II MGP, LLC
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of CA, LLC
Affordable Housing Access
Developer: Irvine Related Development Company
Investor/Consultant: MUFG Union Bank, N.A.
Management Agent: Related Management Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	133
No. / % of Low Income Units:	132 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (15% / 20 units)

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	June 29, 2018

Information

Housing Type:	Seniors
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	132	100%

Unit Mix

121	1-Bedroom Units
12	2-Bedroom Units
133	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
56	1 Bedroom*	45%	46%	$1,033
65	1 Bedroom*	50%	51%	$1,141
11	2 Bedrooms*	50%	48%	$1,276
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

*See **Significant Information / Additional Conditions** below for hold harmless rent infromation.

TCAC-confirmed Projected Lifetime Rent Benefit: $66,945,780

Project Cost Summary at Application

Land and Acquisition	$24,000,000
Construction Costs	$0
Rehabilitation Costs	$7,185,788
Construction Contingency	$718,579
Relocation	$705,000
Architectural/Engineering	$397,000
Const. Interest, Perm. Financing	$2,086,240
Legal Fees, Appraisals	$160,000
Reserves	$552,727
Other Costs	$1,175,599
Developer Fee	$4,853,625
Commercial Costs	$0
Total	**$41,834,559**

Residential

Construction Cost Per Square Foot:	$91
Per Unit Cost:	$314,546
True Cash Per Unit Cost*:	$291,436

Construction Financing

Source	Amount
Citibank Loan	$26,938,206
City of San Jose Loan	$8,612,727
Seller Carryback Loan	$1,050,000
Existing Replacement Reserves	$113,000
Income from Operations	$832,000
Deferred Developer Fee	$3,653,625
Tax Credit Equity	$635,000

Permanent Financing

Source	Amount
CalHFA Loan	$15,707,000
City of San Jose Loan	$8,612,727
Seller Carryback Loan	$1,050,000
Existing Replacement Reserves	$113,000
Income from Operations	$1,664,000
Deferred Developer Fee	$2,023,625
Tax Credit Equity	$12,664,207
TOTAL	**$41,834,559**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,849,810
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$25,366,125
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$15,404,753
Qualified Basis (Acquisition):	$25,366,125
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$503,735
Maximum Annual Federal Credit, Acquisition:	$829,472
Total Maximum Annual Federal Credit:	$1,333,207
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,853,625
Investor/Consultant:	MUFG Union Bank, N.A.
Federal Tax Credit Factor:	$0.94991

Per Regulation Section 10327(c)(6), 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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$37,215,935
Actual Eligible Basis:	$37,215,935
Unadjusted Threshold Basis Limit:	$43,126,656
Total Adjusted Threshold Basis Limit:	$90,565,978

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.27% 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.

Significant Information / Additional Conditions
The project is a resyndication that is subject to the hold harmless rent provisions of the federal Housing and Economic Recovery Act of 2008 (HERA). The applicant requested and is approved to underwrite the project at the hold harmless rent limits. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge hold harmless rent for 65 units targeted at 50% AMI, but with hold harmless rent currently equal to 50.9% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-874). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2001-874) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with at Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $683,254. The purchase price of $24,000,000 is less than the appraised value of $24,700,000. The $700,000 difference between the purchase price and the appraised value is deemed a seller discount. Since the seller discount is greater than the Short Term Work amount, the project is allowed to receive eligible basis for the entire Short Term Work amount of $683,254.

Local Reviewing Agency
The Local Reviewing Agency, the City of San Jose, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions: None.