

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 17, 2018**

North San Pedro Apartments, located at 201 Bassett Street in San Jose, requested and is being recommended for a reservation of \$1,921,722 in annual federal tax credits to finance the new construction of 134 units of housing serving tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by First Community Housing and will be located in Senate District 15 and Assembly District 27.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD VASH Project-Based Vouchers. The project financing includes state funding from the VHHP/AHSC programs of HCD.

**Project Number** CA-18-617

**Project Name** North San Pedro Apartments  
 Site Address: 201 Bassett Street  
 San Jose, CA 95110 County: Santa Clara  
 Census Tract: 5002.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,921,722	\$0
Recommended:	\$1,921,722	\$0

**Applicant Information**

Applicant: North San Pedro Apartments, LP  
 Contact: Regina Celestin Williams  
 Address: 75 E. Santa Clara Street, Suite 1300  
 San Jose, CA 95113  
 Phone: 408-291-8650  
 Email: ReginaCW@firsthousing.org

General Partner(s) or Principal Owner(s): North San Pedro Apartments LLC  
 General Partner Type: Nonprofit  
 Parent Company(ies): First Community Housing  
 Developer: First Community Housing  
 Consultant: Community Economics  
 Management Agent: The John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 3  
 Total # of Units: 135  
 No. / % of Low Income Units: 134 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD - VASH Project-Based Vouchers (49 units - 36%)  
 HUD Section 8 Project-Based Vouchers (60 units - 45%)

**Bond Information**

Issuer: California Housing Finance Agency  
 Expected Date of Issuance: October 1, 2018

**Information**

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

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 35% AMI: 58	43%
At or Below 50% AMI: 76	57%

**Unit Mix**

118 SRO/Studio Units  
 16 1-Bedroom Units  
 1 2-Bedroom Units  


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 135 Total Units

<u>Unit Type &amp; Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
43 SRO/Studio	30%	30%	\$697
9 SRO/Studio	30%	30%	\$697
46 SRO/Studio	50%	50%	\$1,163
20 SRO/Studio	50%	50%	\$1,163
6 1 Bedroom	30%	28%	\$697
5 1 Bedroom	50%	50%	\$1,246
5 1 Bedroom	50%	50%	\$1,246
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$112,296,360

**Project Cost Summary at Application**

Land and Acquisition	\$305,000
Construction Costs	\$44,728,257
Rehabilitation Costs	\$0
Construction Contingency	\$2,211,356
Relocation	\$0
Architectural/Engineering	\$2,255,000
Const. Interest, Perm. Financing	\$4,257,940
Legal Fees, Appraisals	\$145,000
Reserves	\$1,620,885
Other Costs	\$5,182,265
Developer Fee	\$2,850,000
Commercial Costs	\$0
<b>Total</b>	<b>\$63,555,704</b>

**Residential**

Construction Cost Per Square Foot:	\$546
Per Unit Cost:	\$470,783
True Cash Per Unit Cost*:	\$470,783

**Construction Financing**

Source	Amount
Citibank	\$49,400,000
Santa Clara County	\$7,200,000
Accrued deferred interest	\$112,770
Sponsor Loan (Successor Agency)	\$2,500,000
Accrued deferred interest	\$42,000
AHP	\$2,000,000
General Partner	\$100
Tax Credit Equity	\$1,790,460

**Permanent Financing**

Source	Amount
CalHFA	\$13,150,000
CalHFA Deferred Loan	\$1,420,000
HCD - VHHP	\$8,540,908
HCD - AHSC	\$8,927,557
Santa Clara County	\$7,200,000
Accrued Deferred Interest	\$112,770
Sponsor Loan (Successor Agency)	\$2,500,000
Accrued Deferred Interest	\$42,000
AHP	\$2,000,000
General Partner	\$1,450,000
Tax Credit Equity	\$18,212,469
<b>TOTAL</b>	<b>\$63,555,704</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$58,768,242
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$58,768,242
Applicable Rate:	3.27%
Maximum Annual Federal Credit:	\$1,921,722
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,850,000
Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.94772

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$58,768,242
Actual Eligible Basis:	\$58,768,242
Unadjusted Threshold Basis Limit:	\$38,056,704
Total Adjusted Threshold Basis Limit:	\$109,957,979

**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

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is used

Local Development Impact Fees

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: 56%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 86%

### **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:** None

**Resyndication and Resyndication Transfer Event:** None

### **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.

### **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**

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of 1560 hours per year.
- High-speed Internet or wireless (Wi-Fi)

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 becoming certified under Leadership in Energy & Environmental Design (LEED) for HOMES program
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.