

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
July 17, 2019**

Quetzal Gardens, located at 1695 Alum Rock Avenue in San Jose, requested and is being recommended for a reservation of \$2,538,626 in annual federal tax credits to finance the new construction of 70 units of housing with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Resources for Community Development 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. The project financing includes state funding from the SHMHP program of HCD.

**Project Number** CA-19-505

**Project Name** Quetzal Gardens  
Site Address: 1695 Alum Rock Ave.  
San Jose, CA 95116 County: Santa Clara  
Census Tract: 5036.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,538,626	\$0
Recommended:	\$2,538,626	\$0

**Applicant Information**

Applicant: Resources for Community Development  
Contact: Daniel Sawislak  
Address: 2220 Oxford St.  
Berkeley, CA 94704  
Phone: (510) 841-4410  
Email: dsawislak@rcdhousing.org

General Partner(s) or Principal Owner(s):	RCD GP III LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Resources for Community Development
Developer:	Resources for Community Development
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	The John Stewart Company

**Project Information**

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	71
No. / % of Low Income Units:	70 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (32 Units - 46%)

**Bond Information**

Issuer:	City of San Jose
Expected Date of Issuance:	October 28, 2019

**Information**

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

**55-Year Use / Affordability**

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	5	7%
50% AMI:	42	60%
60% AMI:	8	11%
80% AMI:	15	21%

**Unit Mix**

30 1-Bedroom Units
13 2-Bedroom Units
28 3-Bedroom Units
71 Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20	1 Bedroom	50%	23%	\$623
2	1 Bedroom	30%	23%	\$623
3	2 Bedrooms	30%	23%	\$748
3	1 Bedroom	50%	27%	\$748
3	2 Bedrooms	50%	27%	\$897
3	2 Bedrooms	50%	27%	\$897
9	3 Bedrooms	50%	27%	\$1,037
4	3 Bedrooms	50%	27%	\$1,037
5	1 Bedroom	60%	55%	\$1,496
3	2 Bedrooms	60%	55%	\$1,795
15	3 Bedrooms	80%	55%	\$2,075
1	2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Construction Costs	\$36,975,891
Construction Hard Cost Contingency	\$3,697,589
Soft Cost Contingency	\$313,355
Architectural/Engineering	\$2,656,817
Const. Interest, Perm. Financing	\$4,864,111
Legal Fees	\$165,632
Reserves	\$1,991,565
Other Costs	\$3,332,493
Developer Fee	\$3,581,200
Commercial Costs	\$6,453,409
<b>Total</b>	<b>\$64,082,698</b>

**Residential**

Construction Cost Per Square Foot:	\$562
Per Unit Cost:	\$811,680
True Cash Per Unit Cost*:	\$791,509

**Construction Financing**

Source	Amount
Bank of the West	\$32,207,500
Santa Clara County Measure A	\$8,565,534
City of San Jose	\$9,557,078
Accrued Interest (County & City)	\$809,953
FHLB AHP	\$700,000
Deferred Costs	\$4,221,284
Deferred Developer Fee	\$1,432,161
Tax Credit Equity	\$6,589,188

**Permanent Financing**

Source	Amount
Bank of the West	\$9,964,061
HCD SHMHP Loan	\$7,107,082
City of San Jose	\$9,984,212
Santa Clara County Measure A	\$8,565,534
Accrued Interest (County & City)	\$382,819
FHLB AHP	\$700,000
Deferred Developer Fee	\$1,432,161
General Partner Equity	\$1,300,792
Tax Credit Equity	\$24,646,037
<b>TOTAL</b>	<b>\$64,082,698</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$59,175,438
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$76,928,069
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$2,538,626
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,000,000
Federal Tax Credit Factor:	\$0.97084

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:	\$59,175,438
Actual Eligible Basis:	\$59,175,438
Unadjusted Threshold Basis Limit:	\$28,953,282
Total Adjusted Threshold Basis Limit:	\$62,979,181

#### **Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations

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: 60%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 14%

#### **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 meet or 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.

#### **Significant Information / Additional Conditions**

Project development costs total \$811,680 per unit. Factors contributing to the high cost include the following: payment of prevailing wages; rapid inflation in the price of building materials, especially in the Bay Area; the requirement to incorporate design elements into the project, including Type 3 construction, a 3rd floor courtyard, a 6th floor community space and additional parking; and the relatively larger number of 3-bedroom units (39%).

#### **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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.