

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 11, 2019**

Virginia Street Studios, located at 295 E. Virginia Street in San Jose, requested and is being recommended for a reservation of \$4,634,024 in annual federal tax credits to finance the new construction of 298 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 15 and Assembly District 27.

Project Number CA-19-583

Project Name Virginia Street Studios
Site Address: 295 E. Virginia Street
San Jose, CA 95112 County: Santa Clara
Census Tract: 5016.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,634,024	\$0
Recommended:	\$4,634,024	\$0

Applicant Information

Applicant: San Jose Virginia Associates, a California Limited Partnership
Contact: Caleb Roope
Address: 430 E. State Street, Suite 100
Eagle, ID 83616
Phone: 208.461.0022
Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): TPC Holdings VII, LLC
USA San Jose Virginia, Inc.
Central Valley Coalition for Affordable Housing

General Partner Type: Joint Venture

Parent Company(ies): The Pacific Companies
USA Properties Fund
Central Valley Coalition for Affordable Housing

Developer: Pacific West Communities, Inc.

Investor/Consultant: Boston Capital

Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 301
 No. / % of Low Income Units: 298 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Municipal Finance Authority (CMFA)
 Expected Date of Issuance: December 18, 2019

Information

Housing Type: Seniors
 Geographic Area: South and West Bay
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting		Percentage of
Number of Units		Affordable Units
50% AMI:	30	10%
60% AMI:	268	90%

Unit Mix

301 SRO/Studio Units
 301 Total Units

Unit Type & Number	2019 Rents		Proposed Rent (including utilities)
	Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	
30 SRO/Studio	50%	50%	\$1,281
268 SRO/Studio	60%	60%	\$1,537
3 SRO/Studio	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$9,500,000
Construction Costs	\$75,761,651
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$4,000,000
Soft Cost Contingency	\$800,000
Relocation	\$0
Architectural/Engineering	\$985,000
Const. Interest, Perm. Financing	\$9,227,400
Legal Fees	\$110,000
Reserves	\$2,471,704
Other Costs	\$6,219,715
Developer Fee	\$12,000,000
Commercial Costs	\$0
Total	\$121,075,470

Residential

Construction Cost Per Square Foot:	\$423
Per Unit Cost:	\$402,244
True Cash Per Unit Cost*:	\$377,261

Construction Financing

Source	Amount
California Bank & Trust	\$50,000,000
California Bank & Trust - Taxable	\$35,000,000
Bonneville Tax Exempt Bond	\$20,000,000
Deferred Costs	\$2,471,704
Deferred Developer Fee	\$12,000,000
Tax Credit Equity	\$1,603,766

Permanent Financing

Source	Amount
California Bank & Trust	\$50,000,000
Bonneville Tax Exempt Bond	\$20,000,000
Deferred Developer Fee	\$7,520,000
Tax Credit Equity	\$43,555,470
TOTAL	\$121,075,470

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$108,019,198
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$140,424,957
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$4,634,024
Approved Developer Fee (in Project Cost & Eligible Basis):	\$12,000,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.93991

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:	\$108,019,198
Actual Eligible Basis:	\$108,019,198
Unadjusted Threshold Basis Limit:	\$85,009,323
Total Adjusted Threshold Basis Limit:	\$111,831,987

Adjustments to Basis Limit

- 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 and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 10%

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: None.

Resyndication and Resyndication Transfer Event: None.

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.