

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Page Street Studios, located at 326, 341, 353 Page Street in San Jose, requested and is being recommended for a reservation of \$2,134,329 in annual federal tax credits and \$5,700,000 in total state tax credits to finance the new construction of 81 units of housing serving tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Charities Housing and will be located in Senate District 15 and Assembly District 28.

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

Project Number CA-20-563

Project Name Page Street Studios
 Site Address: 326, 341, 353 Page Street
 San Jose CA, 95126 County Santa Clara
 Census Tract: 5020.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,134,329	\$5,700,000
Recommended:	\$2,134,329	\$5,700,000

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Charities Housing Development Corporation
 Contact: Kathy Robinson
 Address: 1400 Parkmoor Avenue, Suite 190
 San Jose, CA 95126
 Phone: 408-550-8311
 Email: krobinson@charitieshousing.org

General Partner(s) or Principal Owner(s): Page Street Charities, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Charities Housing Development Corporation
 Developer: Charities Housing
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: Charities Housing

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 82
 No. / % of Low Income Units: 81 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (27 Units-33%)

Bond Information

Issuer: City of San Jose
 Expected Date of Issuance: September 1, 2020

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 27	33%
40% AMI: 27	33%
50% AMI: 27	33%

Unit Mix

81 SRO/Studio Units
 1 3-Bedroom Units

 82 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
27 SRO/Studio	30%	30%	\$769
27 SRO/Studio	40%	40%	\$1,025
27 SRO/Studio	50%	50%	\$1,281
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$830,202
Construction Costs	\$34,987,969
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,793,032
Soft Cost Contingency	\$442,592
Relocation	\$490,000
Architectural/Engineering	\$2,236,353
Const. Interest, Perm. Financing	\$3,478,392
Legal Fees	\$130,000
Reserves	\$385,913
Other Costs	\$4,012,637
Developer Fee	\$6,027,133
Commercial Costs	\$0
Total	\$54,814,223

Residential

Construction Cost Per Square Foot:	\$732
Per Unit Cost:	\$668,466
True Cash Per Unit Cost*:	\$625,452

Construction Financing

Source	Amount
Wells Fargo Bank	\$29,500,000
County of Santa Clara	\$7,912,016
City of San Jose	\$8,611,968
Deferred Interest	\$397,968
Deferred Costs	\$2,631,023
General Partner Equity	\$3,527,133
Tax Credit Equity	\$2,234,115

Permanent Financing

Source	Amount
CCRC - Tranche A	\$2,811,000
CCRC - Tranche B	\$3,588,000
County of Santa Clara	\$10,127,000
City of San Jose	\$8,611,968
Deferred Interest	\$397,968
General Partner Equity	\$3,527,133
Tax Credit Equity	\$25,751,154
TOTAL	\$54,814,223

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$50,672,574
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$65,874,346
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$2,134,329
Total State Credit:	\$5,700,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,027,133
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99287
State Tax Credit Factor:	\$0.80000

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:	\$50,672,574
Actual Eligible Basis:	\$50,672,574
Unadjusted Threshold Basis Limit:	\$26,474,035
Total Adjusted Threshold Basis Limit:	\$65,984,624

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
- 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: 66%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 66%

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 3.24% 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

Staff noted a per unit cost of \$625,452. The applicant noted that the per unit cost is attributed to soil conditions, City of San Jose planning requirements, and prevailing wage requirements.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.