

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
April 14, 2020**

Alum Rock Family Housing, located at 2350 Alum Rock Avenue in San Jose, requested and is being recommended for a reservation of \$2,516,925 in annual federal tax credits and \$4,475,590 in total state tax credits to finance the new construction of 85 units of housing serving special needs tenants with rents affordable to households earning 50%-60% AMI of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. 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.

**Project Number** CA-20-569

**Project Name** Alum Rock Family Housing  
**Site Address:** 2350 Alum Rock Avenue  
San Jose, CA 95116 County: Santa Clara  
**Census Tract:** 5037.10

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,516,925	\$4,475,590
Recommended:	\$2,516,925	\$4,475,590

\* The applicant made an election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

**Applicant:** Alum Rock Family Housing, L.P.  
**Contact:** Rob Wilkins  
**Address:** 13520 Evening Creek Drive N. Suite 160  
San Diego, CA 92128  
**Phone:** (415) 488-7743  
**Email:** rob@affirmedhousing.com

**General Partner(s) or Principal Owner(s):** AHG Alum Rock, LLC  
Nexus for Affordable Housing  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Affirmed Housing Group, Inc.  
Nexus for Affordable Housing  
**Developer:** Affirmed Housing Group, Inc.  
**Investor/Consultant:** Enterprise Community  
**Management Agent:** Solari Enterprises, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 87  
 No. / % of Low Income Units: 85 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (29 units - 34%)

**Bond Information**

Issuer: City of San Jose  
 Expected Date of Issuance: June 15, 2020

**Information**

Housing Type: Special Needs  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Sara Dixon

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 43	51%
60% AMI: 42	49%

**Unit Mix**

29 SRO/Studio Units  
 13 1-Bedroom Units  
 22 2-Bedroom Units  
 23 3-Bedroom Units  


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 87 Total Units

<u>Unit Type &amp; 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>
22 SRO/Studio	50%	30%	\$768
3 SRO/Studio	60%	50%	\$1,281
4 SRO/Studio	60%	60%	\$1,537
7 1 Bedroom	50%	30%	\$823
5 1 Bedroom	60%	30%	\$823
5 2 Bedrooms	50%	30%	\$987
5 2 Bedrooms	50%	30%	\$987
7 2 Bedrooms	60%	50%	\$1,646
5 2 Bedrooms	60%	60%	\$1,975
4 3 Bedrooms	50%	30%	\$1,141
3 3 Bedrooms	60%	30%	\$1,141
8 3 Bedrooms	60%	50%	\$1,902
7 3 Bedrooms	60%	60%	\$2,283
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$4,373,465
Construction Costs	\$45,443,127
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,206,218
Soft Cost Contingency	\$586,825
Relocation	\$0
Architectural/Engineering	\$2,118,500
Const. Interest, Perm. Financing	\$3,047,673
Legal Fees	\$175,000
Reserves	\$377,000
Other Costs	\$2,905,331
Developer Fee	\$4,000,000
Commercial Costs	\$390,000
<b>Total</b>	<b>\$66,623,139</b>

**Residential**

Construction Cost Per Square Foot:	\$530
Per Unit Cost:	\$761,300
True Cash Per Unit Cost*:	\$744,160

**Construction Financing**

Source	Amount
Banner Bank	\$36,855,974
City of San Jose	\$1,000,000
Santa Clara County	\$13,117,165
Tax Credity Equity	\$15,650,000

**Permanent Financing**

Source	Amount
Banner Bank - Tranche B	\$11,660,914
City of San Jose	\$9,350,000
Santa Clara County	\$15,650,000
Deferred Developer Fee	\$1,500,000
Tax Credit Equity	\$28,462,225
<b>TOTAL</b>	<b>\$66,623,139</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$59,756,046
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$77,682,860
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$2,516,925
Total State Credit:	\$4,475,590
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,000,000
Investor/Consultant:	Enterprise Community
Federal Tax Credit Factor:	\$0.99000
State Tax Credit Factor:	\$0.79200

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:	\$59,756,046
Actual Eligible Basis:	\$59,756,046
Unadjusted Threshold Basis Limit:	\$36,948,638
Total Adjusted Threshold Basis Limit:	\$69,615,574

**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
- 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: 50%

**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**

Development costs are roughly \$744,160 per unit. The applicant indicated factors affecting this cost include high real estate costs for the area, prevailing wages, GreenPoint Rated energy standards, construction type (5 stories over 2 stories of concrete), and parking garage.

**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.