

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

September 16, 2020

Agrihood Senior Apts., located at 1834 Worthington Circle in Santa Clara, requested and is being recommended for a reservation of \$3,576,769 in annual federal tax credits to finance the new construction of 163 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by CORE Winchester, LLC and will be located in Senate District 10 and Assembly District 25.

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

Project Number CA-20-598

Project Name Agrihood Senior Apts.
Site Address: 1834 Worthington Circle
Santa Clara, CA, 95050 County: Santa Clara
Census Tract: 5059.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,576,769	\$0
Recommended:	\$3,576,769	\$0

Applicant Information

Applicant: CORE Winchester, LLC
Contact: Chris Neale
Address: 470 S. Market St.
San Jose, CA 95113
Phone: 408-292-7841
Email: chris@thecorecompanies.com

General Partner(s) or Principal Owner(s): CORE Winchester, LLC
Central Valley Coalition for Affordable Housing
General Partner Type: Joint Venture
Parent Company(ies): CORE Affordable Housing, LLC
Central Valley Coalition for Affordable Housing
Developer: CORE Winchester, LLC
Investor/Consultant: Enterprise Housing Credit Investments
Management Agent: John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 165
 No. / % of Low Income Units: 163 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (54 Units-33%)

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: November 1, 2020

Information

Housing Type: Seniors
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 54	33%
40% AMI: 54	33%
60% AMI: 55	34%

Unit Mix

68 SRO/Studio Units
 85 1-Bedroom Units
12 2-Bedroom Units
 165 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
25 SRO/Studio	30%	30%	\$829
25 SRO/Studio	40%	40%	\$1,106
18 SRO/Studio	60%	60%	\$1,659
27 1 Bedroom	30%	30%	\$888
27 1 Bedroom	40%	40%	\$1,185
31 1 Bedroom	60%	60%	\$1,777
2 2 Bedrooms	30%	30%	\$1,066
2 2 Bedrooms	40%	40%	\$1,422
6 2 Bedrooms	60%	60%	\$2,133
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$630,366
Construction Costs	\$63,452,615
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,085,810
Soft Cost Contingency	\$842,723
Relocation	\$0
Architectural/Engineering	\$4,044,919
Const. Interest, Perm. Financing	\$5,910,541
Legal Fees	\$335,000
Reserves	\$1,743,962
Other Costs	\$4,319,251
Developer Fee	\$6,000,000
Commercial Costs	\$0
Total	\$90,365,187

Residential

Construction Cost Per Square Foot:	\$512
Per Unit Cost:	\$547,668
True Cash Per Unit Cost*:	\$530,395

Construction Financing

Source	Amount
Chase - Tax Exempt	\$45,000,000
Chase - Taxable	\$6,060,000
City of Santa Clara	\$4,727,077
County of Santa Clara	\$23,550,000
Deferred Costs & Fees	\$6,234,394
Tax Credit Equity	\$4,793,717

Permanent Financing

Source	Amount
Chase - Tax Exempt	\$27,280,000
County of Santa Clara	\$23,550,000
City of Santa Clara	\$4,727,077
Deferred Developer Fee	\$2,850,000
Tax Credit Equity	\$31,958,110
TOTAL	\$90,365,187

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$84,918,553
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$110,394,119
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$3,576,769
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,000,000
Investor/Consultant:	Enterprise Housing Credit Investments
Federal Tax Credit Factor:	\$0.89349

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:	\$84,918,553
Actual Eligible Basis:	\$84,918,553
Unadjusted Threshold Basis Limit:	\$58,427,563
Total Adjusted Threshold Basis Limit:	\$134,893,967

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

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: 33%

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

Development costs are roughly \$547,668 per unit. The factors affecting this cost include local impact fees, federal and state prevailing wage requirements due to its use of governmental funding programs, and supportive service offices required for its special needs resident population. In addition, the high-density project design requires construction of a concrete garage podium within the building. This garage structure adds substantial cost on a per-unit basis.

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.