

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

1st and Kern Apartments, located at 971 1st Street in Gilroy, requested and is being recommended for a reservation of \$1,367,244 in annual federal tax credits to finance the new construction of 119 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by JEMCOR Development Partners and will be located in Senate District 17 and Assembly District 30.

Project Number CA-20-606

Project Name 1st and Kern Apartments
Site Address: 971 1st Street
Gilroy, CA 95020 County: Santa Clara
Census Tract: 5125.05

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,367,244	\$0
Recommended:	\$1,367,244	\$0

Applicant Information

Applicant: JEMCOR Development Partners, LLC
Contact: Jonathan Emami
Address: 1700 S. El Camino Real, Suite 400
San Mateo, CA 94010
Phone: 415-941-5832
Email: jemami@jemcorpartners.com

General Partner(s) or Principal Owner(s): JEMCOR Development Partners, LLC
Pacific Housing, Inc.

General Partner Type: Joint Venture

Parent Company(ies): JEMCOR Development Partners, LLC
Pacific Housing, Inc.

Developer: JEMCOR Development Partners

Investor/Consultant: Alliant Capital

Management Agent: FPI Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 120
 No. / % of Low Income Units: 119 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 Utility Allowance: CUAC

Bond Information

Issuer: California Public Finance Authority
 Expected Date of Issuance: November 1, 2020

Information

Housing Type: Large Family
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Giovanni Martinez

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 36	30%
60% AMI: 83	70%

Unit Mix

24 1-Bedroom Units
66 2-Bedroom Units
30 3-Bedroom Units
<u>120 Total Units</u>

<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>
7 1 Bedroom	50%	50%	\$1,481
17 1 Bedroom	60%	60%	\$1,777
20 2 Bedrooms	50%	50%	\$1,777
45 2 Bedrooms	60%	57%	\$2,035
9 3 Bedrooms	50%	50%	\$2,053
21 3 Bedrooms	60%	53%	\$2,189
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,250,000
Construction Costs	\$25,613,467
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,260,264
Soft Cost Contingency	\$257,978
Relocation	\$0
Architectural/Engineering	\$1,416,025
Const. Interest, Perm. Financing	\$4,061,277
Legal Fees	\$295,000
Reserves	\$578,845
Other Costs	\$5,807,592
Developer Fee	\$5,019,751
Commercial Costs	\$0
Total	\$49,560,199

Residential

Construction Cost Per Square Foot:	\$249
Per Unit Cost:	\$413,002
True Cash Per Unit Cost*:	\$375,753

Construction Financing

Source	Amount
Citibank, N.A. - Tax Exempt	\$27,054,246
Citibank, N.A. - Taxable	\$8,908,090
Deferred Developer Fee	\$5,019,751
Tax Credit Equity	\$7,155,860

Permanent Financing

Source	Amount
Citibank, N.A. - Tax Exempt	\$27,054,246
Citibank, N.A. - Taxable	\$4,545,754
Income from Operations	\$843,407
Deferred Developer Fee	\$4,469,790
Tax Credit Equity	\$12,647,002
TOTAL	\$49,560,199

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$42,203,094
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$42,203,094
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,367,244
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,019,751
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$0.92500

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:	\$42,203,094
Actual Eligible Basis:	\$42,203,094
Unadjusted Threshold Basis Limit:	\$55,286,856
Total Adjusted Threshold Basis Limit:	\$71,872,913

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 30%

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: 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.

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.