

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Gallup and Mesa located 1171 Mesa Drive & 5647 Gallup Drive in San Jose, requested and is being recommended for a reservation of \$1,789,473 in annual federal tax credits to finance the new construction of 45 units of housing serving tenants/special needs tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Eden Housing, Inc. 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. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-20-077

Project Name Gallup and Mesa
Site Address: 1171 Mesa Drive & 5647 Gallup Drive
San Jose, CA 95118 County: Santa Clara
Census Tract: 5119.150

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,789,473	\$0
Recommended:	\$1,789,473	\$0

Applicant Information

Applicant: Eden Housing, Inc.
Contact: Matt Graves - Project Developer
Address: 22645 Grand St
Hayward, CA 94541
Phone: 510-963-9483
Email: matt.graves@edenhousing.org

General Partner(s) / Principal Owner(s):	Eden Investments, Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Housing, Inc.
Developer:	Eden Housing, Inc.
Investor/Consultant:	CREA LLC
Management Agent(s):	Eden Housing Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	46
No. & % of Tax Credit Units:	45 100%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	HUD Section 8 Project-based Vouchers (23 units - 51%)

Information

Set-Aside: Special Needs
Housing Type: Special Needs
Type of Special Needs: Homeless - Transition-age Youth (TAY)
Average Targeted Affordability of Special Needs/SRO Project Units: 34.40%
% of Special Need Units 23 units 51%
Geographic Area: South and West Bay Region
TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	17 35%
At or Below 40% AMI:	11 20%
At or Below 50% AMI:	12 25%
At or Below 60% AMI:	2 4%
At or Below 80% AMI:	3 6%

Unit Mix

16 SRO/Studio Units
18 1-Bedroom Units
8 2-Bedroom Units
4 3-BedroomUnits
46 Total Units

Unit Type & Number	2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9 SRO/Studio	25%	25%	\$691
4 1 Bedroom	25%	25%	\$741
2 2 Bedrooms	25%	25%	\$888
1 1 Bedroom	30%	30%	\$888
7 SRO/Studio	40%	38%	\$1,039
4 1 Bedroom	40%	40%	\$1,185
9 1 Bedroom	50%	50%	\$1,481
3 2 Bedrooms	50%	50%	\$1,777
2 2 Bedrooms	60%	60%	\$2,132
3 3 Bedrooms	80%	78%	\$3,185
1 3 Bedrooms	30%	30%	\$1,231
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,350,917
Construction Costs	\$19,690,605
Rehabilitation Costs	\$0
Construction Contingency	\$1,269,556
Relocation	\$0
Architectural/Engineering	\$1,488,114
Const. Interest, Perm. Financing	\$1,193,382
Legal Fees	\$85,000
Reserves	\$564,108
Other Costs	\$1,826,457
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$32,668,139

Residential

Construction Cost Per Square Foot:	\$541
Per Unit Cost:	\$710,177
True Cash Per Unit Cost*:	\$619,827

Construction Financing

Source	Amount
Union Bank	\$15,520,367
City of San Jose - Loan**	\$5,750,000
County of Santa Clara - NPLH***	\$3,500,000
City of San Jose - Land Donation**	\$3,910,000
City of San Jose - Fee Waiver**	\$246,100
Costs Deferred Until Conversion	\$2,220,468
Tax Credit Equity	\$1,521,204

Permanent Financing

Source	Amount
Union Bank	\$550,000
City of San Jose - Loan**	\$5,750,000
County of Santa Clara - NPLH***	\$7,000,000
City of San Jose - Land Donation**	\$3,910,000
City of San Jose - Fee Waiver**	\$246,100
Tax Credit Equity	\$15,212,039
TOTAL	\$32,668,139

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee.

**City of San Jose - Low-Moderate Income Housing Asset Fund Loan, Land Lease Donation Value, & Park Impact Fee Waiver.

*** HCD & County of Santa Clara - No Place Like Home (NPLH) & and County 2016 Measure A Affordable Housing Bond Fund Loan.

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,294,638
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,883,029
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,789,473
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	CREA LLC
Federal Tax Credit Factor:	\$0.85009

The "as if vacant" land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$15,294,638
Actual Eligible Basis:	\$27,049,654
Unadjusted Threshold Basis Limit:	\$14,711,112
Total Adjusted Threshold Basis Limit:	\$20,864,733

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	78.797%

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 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 9.0% 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

The project's estimated per unit cost is \$710,177. The project's features that contribute to its cost are the prevailing wage requirement and its location in an area with high land costs and construction costs as indicated by its Difficult to Develop Area (DDA) designation. In addition, the City's Conditions of Approval (COA) limited the number of units that could be built on the relatively small site resulting in reduced economies of scale and a higher cost per unit. Also, a concrete podium was required to meet the parking requirement and to provide above-grade open space which further increased the project's cost. The project will also include an elevator.

This special needs project is targeted to provide 23 units for Transition-age Youth, including project-based vouchers, and another 22 units for low-income persons/households.

Resyndication and Resyndication Transfer Event: None

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
NON-SPECIAL NEEDS UNITS			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	0
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 600 bdrms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Enhanced Accessibility and Visitability	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.