

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

1020 N 4th Street, located at 1020 N 4th Street in San Jose, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$3,163,274 in total state tax credits to finance the new construction of 93 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by PATH Ventures and will be located in Senate District 10 and Assembly District 27.

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-20-179

Project Name 1020 N 4th Street
Site Address: 1020 N 4th Street
San Jose, CA 95112 County: Santa Clara
Census Tract: 5001-00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$3,163,274
Recommended:	\$2,500,000	\$3,163,274

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

Applicant Information

Applicant: 4th St San Jose LP
Contact: Matt Huerta
Address: 1020 N 4th Street
San Jose, CA 95112
Phone: 831-809-4279
Email: mhuerta@pathventures.org

General Partner(s) / Principal Owner(s): PATH Ventures
General Partner Type: Nonprofit
Parent Company(ies): PATH Ventures
Developer: PATH Ventures
Investor/Consultant: California Housing Partnership
Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 94
No. & % of Tax Credit Units: 93 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (93 Units - 100%)

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 39.89%
 % of Special Need Units 93 units 100%
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 47	50%
At or Below 50% AMI: 46	40%

Unit Mix

65 SRO/Studio Units
28 1-Bedroom Units
1 2-Bedroom Units
<u>94 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>
33 SRO/Studio	30%	30%	\$829
32 SRO/Studio	50%	46%	\$1,280
14 1 Bedroom	30%	30%	\$888
14 1 Bedroom	50%	50%	\$1,481
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,913,432
Construction Costs	\$28,063,615
Rehabilitation Costs	\$0
Construction Contingency	\$3,087,363
Relocation	\$0
Architectural/Engineering	\$2,452,021
Const. Interest, Perm. Financing	\$3,074,594
Legal Fees	\$126,083
Reserves	\$945,870
Other Costs	\$3,277,406
Developer Fee	\$2,200,000
Commercial Costs	\$1,660,055
Total	\$52,800,439

Residential

Construction Cost Per Square Foot:	\$434
Per Unit Cost:	\$543,341
True Cash Per Unit Cost*:	\$543,341

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America	\$30,000,000	CCRC	\$10,075,000
Santa Clara County - Measure A	\$7,500,000	Santa Clara County - Measure A	\$7,500,000
Santa Clara County - NPLH	\$7,500,000	Santa Clara County - NPLH	\$7,500,000
HTSV and Apple Funds Loan**	\$3,145,000	HTSV and Apple Funds Loan**	\$3,145,000
Deferred Costs	\$2,375,325	GP Equity	\$100
GP Equity	\$100	Tax Credit Equity	\$24,580,339
Tax Credit Equity	\$2,280,014	TOTAL	\$52,800,439

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

**Housing Trust of Silicon Valley

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,367,519
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,775
Applicable Rate:	9.00%
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$3,163,274
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$2,133,709
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.88199
State Tax Credit Factor:	\$0.80000

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:	\$21,367,519
Actual Eligible Basis:	\$40,619,869
Unadjusted Threshold Basis Limit:	\$26,392,284
Total Adjusted Threshold Basis Limit:	\$37,656,674

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

100% of the Low Income Units for Special Needs Population

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

- New construction: project shall be more energy efficient than the 2019 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	81.682%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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 proposed rent does not include a utility allowance. The owner will pay for all utilities.

The estimated project cost is \$543,341. Factors contributing to the project cost are the cost of land, high construction costs, requirement to pay prevailing wages, and the programmatic spaces for the formerly homeless residents, including offices for services.

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 ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
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 weekly farmers' market operating at least 5 months/year	2	2	2
Special Needs project within ½ mile of facility serving tenant population	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
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: LEED	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
State Credit Substitution	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.