CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 16, 2021

425 Auzerais Apartments, located at 425 Auzerais Avenue in San Jose, requested and is being recommended for a reservation of $3,934,685 in annual federal tax to finance the new construction of 128 units of housing serving special needs tenants with rents affordable to households earning 30-60% 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 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 and IIG programs of HCD.

Project Number	CA-21-467		
Project Name	425 Auzerais Apartments		
Site Address:	425 Auzerais Avenue		
	San Jose, CA 95126	County:	Santa Clara
Census Tract:	5008.00		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,934,685	$0
Recommended:	$3,934,685	$0

Applicant Information

Applicant:	Eden Housing, Inc.
Contact:	Linda Mandolini
Address:	22645 Grand Street
	Hayward, Ca 94541
Phone:	510-542-1460
Email:	lmandolini@edenhousing.org

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

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	1	
Total # of Units:	130	
No. / % of Low Income Units:	128	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (64 Units - 50%)	

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	June 30, 2021

Information

Housing Type:	Special Needs
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Nick White

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	64	50%
50% AMI:	43	34%
60% AMI:	21	16%

Unit Mix

86	SRO/Studio Units
16	1-Bedroom Units
28	2-Bedroom Units
130	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
58	SRO/Studio	30%	30%	$829
2	1 Bedroom	30%	30%	$889
4	2 Bedrooms	30%	30%	$1,066
28	SRO/Studio	50%	50%	$1,382
5	1 Bedroom	50%	50%	$1,481
10	2 Bedrooms	50%	50%	$1,777
9	1 Bedroom	60%	60%	$1,777
12	2 Bedrooms	60%	56%	$1,999
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$2,386,592
Construction Costs	$54,869,412
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$2,621,697
Soft Cost Contingency	$206,500
Relocation	$0
Architectural/Engineering	$2,429,625
Const. Interest, Perm. Financing	$4,608,071
Legal Fees	$140,000
Reserves	$1,238,697
Other Costs	$3,512,972
Developer Fee	$9,869,610
Commercial Costs	$0
Total	**$81,883,176**

Residential

Construction Cost Per Square Foot:	$535
Per Unit Cost:	$629,871
True Cash Per Unit Cost*:	$577,797

Construction Financing

Source	Amount
JP Morgan Chase Bank T.E.	$42,017,597
JP Morgan Chase - Taxable	$6,610,746
HCD - IIG	$5,500,000
Santa Clara County - Measure A	$700,000
Santa Clara County - NPLH	$12,800,000
Accrued Interest	$375,661
Cost Deferred Until Conversion	$3,759,700
General Partner Contribution	$3,996,490
Deferred Developer Fee	$2,773,121
Tax Credit Equity	$3,349,861

Permanent Financing

Source	Amount
JP Morgan Chase Bank T.E.	$20,520,284
HCD - IIG	$5,500,000
Santa Clara County - Measure A	$700,000
Santa Clara County - NPLH	$12,800,000
Accrued Interest	$375,661
General Partner Contribution	$3,996,490
Deferred Developer Fee	$2,773,121
Tax Credit Equity	$35,217,620
TOTAL	**$81,883,176**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$75,667,014
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$98,367,118
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	$3,934,685
Approved Developer Fee (in Project Cost & Eligible Basis):	$9,869,610
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	$0.89506

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:	$75,667,014
Actual Eligible Basis:	$75,667,014
Unadjusted Threshold Basis Limit:	$63,095,976
Total Adjusted Threshold Basis Limit:	$168,635,451

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

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: 100%

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 4.00% 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:

Staff noted a per unit development cost of $577,797. The applicant noted that the high per unit cost is attributed to the project being constructed as a high density five-level structure, the inclusion of elevators, prevailing wage, and the project's requirement to conform to City design guidelines.

Resyndication and Resyndication Transfer Event: None.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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.