

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 11, 2021

Mariposa Place / West San Carlos Residential, located at 750 West San Carlos in San Jose, requested and is being recommended for a reservation of \$2,827,395 in annual federal tax credits and \$7,886,595 in total state tax credits to finance the new construction of 79 units of housing serving special needs tenants with rents affordable to households earning 25-60% of area median income (AMI). The project will be developed by Danco Communities and will be located in Senate District 19 and Assembly District 19.

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

Project Number	CA-21-591
Project Name	Mariposa Place / West San Carlos Residential
Site Address:	750 West San Carlos
	San Jose CA, 95126 County: Santa Clara
Census Tract:	5019.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,827,395	\$7,886,595
Recommended:	\$2,827,395	\$7,886,595

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

Applicant Information

Applicant:	San Jose W San Carlos LP
Contact:	McKenzie Dibble
Address:	5251 Ericson Way, Suite A
	Arcata CA, 95521
Phone:	(707) 825-1588
Email:	mdibble@danco-group.com

General Partner(s) or Principal Owner(s):	Johnson & Johnson Investments, LLC
	Community Revitalization & Development Corp.
General Partner Type:	Joint Venture
Parent Company(ies):	Danco Communities
	Shasta Housing Development Corporation
Developer:	Danco Communities
Bond Issuer:	City of San Jose
Investor/Consultant:	Raymond James
Management Agent:	Danco Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 80
 No. / % of Low Income Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60%

Information

Housing Type: Special Needs
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Sopida Steinwert

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	40	51%
50% AMI:	20	25%
60% AMI:	19	24%

Unit Mix

57 1-Bedroom Units
23 2-Bedroom Units
80 Total Units

Unit Type & Number	2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
28 1 Bedroom	25%	\$776
15 1 Bedroom	50%	\$932
14 1 Bedroom	60%	\$932
12 2 Bedrooms	25%	\$932
5 2 Bedrooms	50%	\$1,119
5 2 Bedrooms	60%	\$1,119
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,171,000
Construction Costs	\$40,293,526
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,012,676
Soft Cost Contingency	\$315,614
Relocation	\$0
Architectural/Engineering	\$1,442,749
Const. Interest, Perm. Financing	\$2,894,669
Legal Fees	\$120,000
Reserves	\$770,700
Other Costs	\$4,571,082
Developer Fee	\$3,645,102
Commercial Costs	\$0
Total	\$62,237,118

Residential

Construction Cost Per Square Foot:	\$518
Per Unit Cost:	\$777,964
True Cash Per Unit Cost*:	\$763,650

Construction Financing

Source	Amount
Pacific Western Bank - Tax Exempt	\$31,341,010
Pacific Western Bank - Taxable	\$2,414,157
City of San Jose	\$9,875,000
County of Santa Clara Acq Fund	\$5,912,500
County of Santa Clara Measure A	\$3,350,000
Tax Credit Equity	\$9,344,451

Permanent Financing

Source	Amount
Pacific Western Bank	\$10,884,214
City of San Jose	\$9,875,000
County of Santa Clara Acq Fund	\$5,912,500
County of Santa Clara Measure A	\$3,350,000
Deferred Developer Fee	\$1,145,102
Solar Tax Credit Equity	\$97,240
Tax Credit Equity	\$30,973,062
TOTAL	\$62,237,118

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$54,372,973
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$70,684,865
Applicable Rate:	4.00%
Maximum Annual Federal Credit:	\$2,827,395
Total State Credit:	\$7,886,595
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,645,102
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.85000
State Tax Credit Factor:	\$0.88000

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.

Significant Information / Additional Conditions:

This project's cost per unit is currently estimated at \$763,650. The applicant noted the costs are attributed to the location in a dense infill area. In addition, parking, staging and the use of a temporary crain will be required.

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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.