

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report Tax-Exempt Bond Project August 11, 2021

Sango Court, located at 355 Sango Court in Milpitas, requested and is being recommended for a reservation of \$3,943,637 in annual federal tax credits to finance the new construction of 101 units of housing serving tenants and special needs tenants with rents affordable to households earning 25-60% of area median income (AMI). The project will be developed by Resources for Community Development and will be located in Senate District 10 and Assembly District 25.

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 MHP program of HCD.

Project Number	CA-21-643
Project Name	Sango Court
Site Address:	355 Sango Court
	Milpitas, CA 95035
	County: Santa Clara
Census Tract:	5045.05

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,943,637	\$0
Recommended:	\$3,943,637	\$0

Applicant Information

Applicant:	Resources for Community Development
Contact:	Daniel Sawislak
Address:	2220 Oxford Street
	Berkeley, CA 94704
Phone:	(510) 841-4410
Email:	dsawislak@rcdhousing.org

General Partner(s) or Principal Owner(s):	RCD GP III LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Resources for Community Development
Developer:	Resources for Community Development
Bond Issuer:	California Municipal Finance Authority
Investor/Consultant:	Enterprise Housing Credit Investments, LLC
Management Agent:	The John Stewart Company

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	102
No. / % of Low Income Units:	101 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / CDBG / HUD Section 8 Project-based Vouchers (47 Units - 47%)

Information

Housing Type: Special Needs
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
25% AMI:	43	43%
30% AMI:	28	28%
50% AMI:	20	20%
60% AMI:	10	10%

Unit Mix

23 SRO/Studio Units
40 1-Bedroom Units
27 2-Bedroom Units
12 3-Bedroom Units
102 Total Units

Unit Type & Number	2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
17 SRO/Studio	25%	\$725
17 1 Bedroom	25%	\$776
6 2 Bedrooms	25%	\$932
3 3 Bedrooms	25%	\$1,077
6 SRO/Studio	30%	\$870
11 1 Bedroom	30%	\$931
6 2 Bedrooms	30%	\$1,119
1 3 Bedrooms	30%	\$1,292
4 1 Bedroom	50%	\$1,553
10 2 Bedrooms	50%	\$1,865
6 3 Bedrooms	50%	\$2,154
4 1 Bedroom	60%	\$1,863
4 2 Bedrooms	60%	\$2,238
2 3 Bedrooms	60%	\$2,584
4 1 Bedroom	30%	\$465
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$728,284
Construction Costs	\$55,560,000
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$5,600,000
Soft Cost Contingency	\$500,000
Relocation	\$0
Architectural/Engineering	\$3,012,000
Const. Interest, Perm. Financing	\$4,001,214
Legal Fees	\$87,144
Reserves	\$1,139,075
Other Costs	\$4,841,545
Developer Fee	\$4,355,703
Commercial Costs	\$0
Total	\$79,824,965

Residential

Construction Cost Per Square Foot:	\$622
Per Unit Cost:	\$782,598
True Cash Per Unit Cost*:	\$769,853

Construction Financing

Source	Amount
Chase Tax-Exempt	\$40,400,000
Chase Taxable	\$7,608,322
HCD HOME	\$5,000,000
Santa Clara County	\$9,100,000
City of Milpitas	\$6,500,000
City of Milpitas CDBG	\$299,097
Accrued Interest - Public Loans	\$840,638
Deferred Costs	\$3,366,189
GP Equity	\$230,000
Deferred Developer Fee	\$1,300,000
Tax Credit Equity	\$5,180,719

Permanent Financing

Source	Amount
Chase Tax- Exempt	\$5,129,660
HCD HOME	\$5,000,000
HCD MHP	\$14,549,907
Santa Clara County	\$9,100,000
City of Milpitas	\$6,500,000
City of Milpitas CDBG	\$299,097
Accrued Interest - Public Loans	\$840,638
General Partner Contribution	\$855,703
GP Equity	\$230,000
Deferred Developer Fee	\$1,300,000
Tax Credit Equity	\$36,019,960
TOTAL	\$79,824,965

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$75,839,172
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$98,590,924
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,943,637
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,355,703
Investor/Consultant:	Enterprise Housing Credit Investments, LLC
Federal Tax Credit Factor:	\$0.91337

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

The total development cost per unit is approximately \$769,853. The applicant noted factors affecting costs include prevailing wage requirements, demolition, and soil remediation. City planning and design are requiring fire access land, fire command center and parking among other items. In addition, a podium courtyard will be provided on the second floor.

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.