CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 8, 2021

The Kelsey Ayer Station, located at 447 North 1st Street in San Jose, requested and is being recommended for a reservation of $2,584,466 in annual federal tax credits to finance the new construction of 113 units of housing serving tenants with rents affordable to households earning 20-80% of area median income (AMI). The project will be developed by Devine & Gong, Inc. and will be located in Senate District 27 and Assembly District 15.

The project will be receiving rental assistance in the form of HUD Section 811 Project Rental Assistance Demonstration (PRA) Contract. The project financing includes state funding from the TOD program of HCD and MIP through CalHFA.

Project Number	CA-21-750	
Project Name	The Kelsey Ayer Station	
Site Address:	447 North 1st Street	
	San Jose, CA 95112	County: Santa Clara
Census Tract:	5002.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,584,466	$0
Recommended:	$2,584,466	$0

Applicant Information

Applicant:	The Kelsey Ayer Station, LP
Contact:	Caroline Bas
Address:	1161 Mission St. San Francisco, CA 94103
Phone:	(415) 203-0642
Email:	caroline@thekelsey.org

General Partner(s) or Principal Owner(s):	The Kelsey Ayer Station LLC North First Street - San Jose MF, LLC DGI Kelsey LLC
General Partner Type:	Joint Venture
Parent Company(ies):	The Kelsey Sares Regis Group of NC Devine & Gong, Inc.
Developer:	Devine & Gong, Inc.
Bond Issuer:	CalHFA
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:	115
No. / % of Low Income Units:	113 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 811 PRA Contract

Information

Housing Type:	Non-Targeted
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
20% AMI:	34	30%
50% AMI:	31	27%
60% AMI:	22	19%
80% AMI:	26	23%

Unit Mix

90	SRO/Studio Units
25	2-Bedroom Units
115	Total Units

Unit Type & Number		2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
16	SRO/Studio	20%	$525
11	SRO/Studio	20%	$525
26	SRO/Studio	50%	$1,319
18	SRO/Studio	60%	$1,434
18	SRO/Studio	80%	$1,434
3	2 Bedrooms	20%	$667
4	2 Bedrooms	20%	$667
5	2 Bedrooms	50%	$1,578
4	2 Bedrooms	60%	$1,897
8	2 Bedrooms	80%	$2,099
1	SRO/Studio	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$0
Construction Costs	$45,546,733
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$3,867,367
Soft Cost Contingency	$505,191
Relocation	$0
Architectural/Engineering	$3,350,951
Const. Interest, Perm. Financing	$5,855,554
Legal Fees	$400,000
Reserves	$898,857
Other Costs	$5,207,620
Developer Fee	$3,500,000
Commercial Costs	$0
Total	**$69,132,273**

Residential

Construction Cost Per Square Foot:	$609
Per Unit Cost:	$601,150
True Cash Per Unit Cost*:	$589,846

Construction Financing

Source	Amount
Chase - T.E. Bonds	$34,000,000
Chase - Taxable Loan	$14,196,872
City of San Jose	$12,825,000
Weinberg Foundation Grant	$1,000,000
Deferred Costs	$2,537,216
Deferred Developer Fee	$1,300,000
General Partner Equity	$818,175
Tax Credit Equity	$2,455,010

Permanent Financing

Source	Amount
CalHFA - Permanent Loan	$14,039,000
CalHFA - MIP	$4,600,000
HCD - TOD	$10,000,000
City of San Jose	$12,825,000
Weinberg Foundation Grant	$1,000,000
Deferred Developer Fee	$1,300,000
General Partner Equity	$818,175
Tax Credit Equity	$24,550,098
TOTAL	**$69,132,273**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$64,611,981
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	$64,611,981
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	$2,584,466
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,500,000
Investor/Consultant:	Enterprise Housing Credit Investments, LLC
Federal Tax Credit Factor:	$0.94991

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 reservation of tax credits is contingent upon verification by HUD of the rental subsidy contract rent amounts within 180 days of the date of reservation.

The applicant's estimate for annual operating expenses per unit is below the $6,600 published per unit operating expense minimum required for this type of project. Under regulation section 10327(g) operating expenses below the published minimum may be corrected. At the submission of the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC, the applicant must meet the requirement of regulation section 10327(g)(1).

Staff noted a per unit development cost of $590,715. The applicant noted that the per unit cost is attributed to remediation of contaminated soil, payment of prevailing wages, historically high cost of commodities such as lumber, concrete and appliances, and photovoltaic systems that meet City and State energy efficiency requirements.

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.