

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 6, 2023**

Martha Gardens Apartments, located at 802 South 1st Street in San Jose, requested and is being recommended for a reservation of \$4,783,814 in annual federal tax credits to finance the new construction of 164 units of housing serving tenants with rents affordable to households earning 30%-70% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 15 and Assembly District 25.

Project Number CA-23-608

Project Name Martha Gardens Apartments
Site Address: 802 South 1st Street
San Jose, CA 95110
County: Santa Clara
Census Tract: 5016.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,783,814	\$0
Recommended:	\$4,783,814	\$0

Applicant Information

Applicant: San Jose South 1st Street Associates, a California Limited Partnership
Contact: Caleb Roope
Address: 430 E. State Street, Suite 100
Eagle, ID 83616
Phone: 208.461.0022
Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): Central Valley Coalition for Affordable Housing
TPC Holdings IX, LLC
San Jose - Martha Gardens, LLC

General Partner Type: Joint Venture
Parent Company(ies): Central Valley Coalition for Affordable Housing
The Pacific Companies
Maracor Development, Inc.

Developer: Pacific West Communities, Inc.
Bond Issuer: California Municipal Finance Authority (CMFA)
Investor/Consultant: Boston Financial
Management Agent: ConAm Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 166
No. / % of Low Income Units: 164 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt

Information

Housing Type: Non-Targeted
 Geographic Area: South and West Bay Region
 CTCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	17	10%
50% AMI:	17	10%
60% AMI:	63	38%
70% AMI:	67	41%

Unit Mix

57 SRO/Studio Units
84 1-Bedroom Units
25 2-Bedroom Units
166 Total Units

Unit Type & Number	2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
6 SRO/Studio	30%	\$936
6 SRO/Studio	50%	\$1,561
40 SRO/Studio	60%	\$1,873
5 SRO/Studio	70%	\$2,185
9 1 Bedroom	30%	\$1,003
9 1 Bedroom	50%	\$1,673
20 1 Bedroom	60%	\$2,007
46 1 Bedroom	70%	\$2,342
2 2 Bedrooms	30%	\$1,204
2 2 Bedrooms	50%	\$2,007
3 2 Bedrooms	60%	\$2,409
16 2 Bedrooms	70%	\$2,750
2 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,124,663
Construction Costs	\$64,147,118
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,200,000
Soft Cost Contingency	\$850,000
Relocation	\$0
Architectural/Engineering	\$1,475,000
Const. Interest, Perm. Financing	\$8,736,500
Legal Fees	\$115,000
Reserves	\$1,152,324
Other Costs	\$4,259,414
Developer Fee	\$9,800,000
Commercial Costs	\$0
Total	\$95,860,019

Residential

Construction Cost Per Square Foot:	\$440
Per Unit Cost:	\$577,470
True Cash Per Unit Cost*:	\$533,012

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank Tax-Exempt	\$50,000,000	Citibank Tax-Exempt	\$25,300,000
Citibank Taxable	\$3,871,691	Bonneville Tax-Exempt	\$23,000,000
Bonneville Tax-Exempt	\$23,000,000	Deferred Developer Fee	\$7,380,000
Deferred Costs	\$1,152,324	Tax Credit Equity	\$40,180,019
Deferred Developer Fee	\$9,800,000	TOTAL	\$95,860,019
Tax Credit Equity	\$8,036,004		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$91,996,416
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$119,595,341
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$4,783,814
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,800,000
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.83992

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 applicant's estimate for annual operating expenses per unit is below the \$6,930 published per unit operating expense minimum required for this type of project. As allowed by CTCAC Regulation Section 10327(g)(1), CTCAC approves the annual per unit operating expense total of \$5,896 in agreement with the permanent lender and equity investor.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).