CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2025 Second Round
September 30, 2025

The Willows Apartments, located at 886-894 Paula Street in San Jose, requested and is being recommended for a reservation of $2,500,000 in annual federal tax credits and $8,333,333 in total state tax credits to finance the acquisition and rehabilitation of 46 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Santa Clara County Housing Authority and is located in Senate District 15 and Assembly District 26.

The Willows Apartments is a resyndication of an existing Low Income Housing Tax Credit (LIHTC) project, The Willows Apartments (CA-99-841). See Resyndication and Resyndication Transfer Event below for additional information. The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-25-085

Project Name The Willows Apartments
Site Address: 886-894 Paula Street
San Jose, CA 95126
County: Santa Clara
Census Tract: 5019.02

Tax Credit Amounts	**Federal/Annual**	**State/Total** *
Requested:	$2,500,000	$8,333,333
Recommended:	$2,500,000	$8,333,333

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

Applicant Information
Applicant: DeRose HDC, Inc.
Contact: Preston Prince
Address: 505 West Julian Street
San Jose, CA 95110
Phone: 408 993-2903
Email: preston.prince@scchousingauthority.org

General Partner / Principal Owner: Willows Resyndication LLC
General Partner Type: Nonprofit
Parent Company: DeRose HDC, Inc.
Developer: Santa Clara County Housing Authority
Investor/Consultant: California Housing Partnership Corporation
Management Agent: The John Stewart Company

Project Information

Construction Type:	Acquisition and Rehabilitation	
Total # Residential Buildings:	7	
Total # of Units:	47	
No. & % of Tax Credit Units:	46	100%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	HUD Section 8 Project-based Vouchers (8 Units - 17%)	

Information

Set-Aside:	At-Risk
Housing Type:	At-Risk
Geographic Area:	South and West Bay Region
CTCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percent of Required Affordable Units
At or Below 30% AMI:	10	20%
At or Below 40% AMI:	5	10%
At or Below 50% AMI:	18	35%
At or Below 60% AMI:	13	25%

Unit Mix

24	1-Bedroom Units
8	2-Bedroom Units
12	3-Bedroom Units
3	4-Bedroom Units
47	Total Units

Unit Type & Number		2025 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	30%	$1,110
1	3 Bedrooms	30%	$1,567
2	1 Bedroom	30%	$1,110
2	2 Bedrooms	30%	$1,022
1	3 Bedrooms	30%	$1,567
1	4 bedrooms	30%	$1,748
1	1 Bedroom	40%	$1,507
2	1 Bedroom	40%	$1,507
2	2 Bedrooms	40%	$1,809
10	1 Bedroom	50%	$1,741
2	2 Bedrooms	50%	$2,125
4	3 Bedrooms	50%	$2,303
2	4 bedrooms	50%	$2,729
6	1 Bedroom	60%	$1,968
2	2 Bedrooms	60%	$2,125
5	3 Bedrooms	60%	$2,811
1	3 Bedrooms	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$12,159,000
Construction Costs	$0
Rehabilitation Costs	$21,735,871
Construction Contingency	$3,677,853
Relocation	$733,000
Architectural/Engineering	$1,167,260
Const. Interest, Perm. Financing	$3,933,567
Legal Fees	$355,000
Reserves	$270,478
Other Costs	$1,102,000
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$47,634,029**

Residential

Construction Cost Per Square Foot:	$626
Per Unit Cost:	$1,013,490
True Cash Per Unit Cost*:	$825,301

Construction Financing

Source	Amount
JPMorgan Chase Bank	$28,928,622
SCCHA[1]: Seller Carryback	$8,844,901
SCCHA: Moving-to-Work	$4,000,000
Acquired Reserves	$222,180
Accrued Interest	$826,782
Deferred Costs	$2,208,378
Tax Credit Equity	$2,603,166

Permanent Financing

Source	Amount
JPMorgan Chase Bank	$6,012,000
SCCHA[1]: Seller Carryback	$8,844,901
SCCHA: Moving-to-Work	$4,000,000
Acquired Reserves	$222,180
Accrued Interest	$826,782
Tax Credit Equity	$27,728,166
TOTAL	**$47,634,029**

*Less Donated Land, Waived Fees, Seller Carryback Loans, and Deferred Developer Fee
[1]Santa Clara County Housing Authority

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$27,777,778
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$27,777,778
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	$2,500,000
Total State Credit:	$8,333,333
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Federal Tax Credit Factor:	$0.84246
State Tax Credit Factor:	$0.80000

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	**At-Risk**
Self-Score Final:	**32.527%**
CTCAC Final:	**32.527%**

Significant Information / Additional Conditions

Staff noted a per unit development cost of $825,301. The applicant noted that the per unit cost is attributed to acquisition costs, the cost of building materials, a requirement to pay prevailing wages, and costs related to state regulatory and entitlement requirements.

The applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement down to 5% and the 4% communication feature requirement down to 2% pursuant to CTCAC Regulation Section 10325(f)(7)(K).

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain CTCAC's consent to assign and assume the existing Regulatory Agreement (CA-99-841). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed-in-service submission) that the acquisition date and the placed-in-service date both occurred after the existing federal 15-year compliance period was completed.

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

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-99-841) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Event that qualified for an exemption because this is the transfer of ownerships of a project subject to an existing tax credit regulatory agreement with a remaining term of five (5) years or less.

Local Reviewing Agency

The Local Reviewing Agency, City of San Jose, has completed a site review of this project and supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulations. 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application for a minimum period of fifteen years and at no cost to the tenants. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	**10**	**10**	**10**
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	**10**	**10**	**10**
Site Amenities	**15**	**15**	**15**
Within ⅓ mile of transit station or public bus stop	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	**10**	**10**	**10**
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Lowest Income	**52**	**52**	**52**
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	**10**	**10**	**10**
Miscellaneous Federal and State Policies	**2**	**2**	**2**
Smoke Free Residence	2	2	2
Total Points	**109**	**109**	**109**

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.