CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 22, 2009

Project Number CA-2009-864

Project Name Cypress Gardens
Address: 355 Jurdo Way
San Jose, CA 95117 County: Santa Clara

Applicant Information

Applicant:	Housing Authority of the County of Santa Clara
Contact	Marianne Lim
Address:	100 Great Oaks Blvd., 2nd Floor San Jose, CA 95117
Phone:	(408) 361-4676 Fax: (408) 361-4664
Email:	mariannel@hacsc.org
Sponsors Type:	Nonprofit

Information
Housing Type: Seniors

Bond Information

Issuer:	Housing Authority of the County of Santa Clara
Expected Date of Issuance:	November 18, 2009
Credit Enhancement:	JP Morgan Chase & Freddie Mac

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$846,524	$0
Recommended:	$846,524	$0

Project Information

Construction Type:	Acquisition and Rehabilitation
Federal Subsidy:	Tax-Exempt/HUD Section 8 Project-based Vouchers
HCD MHP Funding:	No
Total # of Units:	125
Total # Residential Buildings:	1
Federal Setaside Elected:	40%/60%
% & No. of Targeted Units:	100% - 123 units

55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 13
Number of Units @ or below 60% of area median income: 110

Eligible Basis

Actual:	$25,112,166
Requested:	$25,112,166
Maximum Permitted:	$33,759,815

Adjustments to Threshold Basis Limit:

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 10%

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features

- Projects using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system
- Projects recycling at least 75% of the construction and demolition waste (measured by either weight or volume)
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

Unit Type & Number		2009 Rents Targeted % of Area Median Income	2009 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
11	One-bedroom Units	50%	16%	$309
99	One-bedroom Units	60%	16%	$309
2	Two-bedroom Units	50%	16%	$373
11	Two-bedroom Units	60%	16%	$373
1	One-bedroom Unit	Manager's Unit	Manager's Unit	$0
1	Two-bedroom Unit	Manager's Unit	Manager's Unit	$0

The general partner or principal owner is Avenida Espana HDC, Inc.

The project developer is Housing Authority of the County of Santa Clara.

The management services will be provided by Property Management, Inc.

The market analysis was provided by Laurin Associates.

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

Project Financing

Estimated Total Project Cost: $27,215,959 Per Unit Cost: $217,728 Construction Cost Per Sq. Foot: $92

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JP Morgan Chase / Prudential Mortg.	$13,811,691	Prudential Mortg. / Freddie Mac	$4,666,209
HACSC* – Purchase Money Note	$8,950,453	HACSC* – Purchase Money Note	$8,950,453
Deferred Developer Fee	$1,083,136	Deferred Developer Fee	$1,083,136
General Partner Capital	$31	Income from Operations	$954,354
		General Partner Capital	4,390,489
		Investor Equity	$7,171,317
		TOTAL	**$27,215,959**

*Housing Authority of the County of Santa Clara

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$11,207,778
Requested Acquisition Eligible Basis:	$13,904,388
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$11,207,778
Qualified Acquisition Basis:	$13,904,388
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$392,272
Maximum Annual Federal Acquisition Credit:	$454,252
Total Maximum Annual Federal Credit:	$846,524
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,166,272
Investor:	Enterprise Community
Federal Tax Credit Factor:	$0.84714

Cost Analysis and Line Item Review
Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: The total land cost/acquisition cost of $13,200,000 in the sources and uses excludes the land value of $1,500,000, as the sponsor does not want to show the land value because it is a ground lease.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
$846,524	$0

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits when the project is placed-in-service.

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.

Additional Conditions: The applicant/owner is required to provide the tenants with educational classes and contract for services free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Velia Martinez