

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
July 20, 2011**

**Project Number** CA-2011-873

**Project Name** Taylor Oaks Apartments  
Site Address: 2726-2738 Kollmar Avenue  
San Jose, CA 95127 County: Santa Clara  
Census Tract: 5035.100

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$351,603	\$0
Recommended:	\$351,603	\$0

**Applicant Information**

Applicant: For the Future Housing Inc.  
Contact: Jim Rendler  
Address: 1660 Dell Ave  
Campbell CA 95008  
Phone: 408-891-8303 Fax: 408-374-3667  
Email: jrendler@ftfhousing.com

General partner(s) or principal owner(s): Pacific Housing Inc.  
General Partner Type: Nonprofit  
Developer: For the Future Housing Inc.  
Investor/Consultant: Churchill Stateside Group  
Management Agent: FPI Management Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 8  
Total # of Units: 59  
No. & % of Tax Credit Units: 58 100%  
Federal Set-Aside Elected: 20%/50%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 35% of area median income: 6  
Number of Units @ or below 50% of area median income: 52

**Bond Information**

Issuer: City of San Jose  
Expected Date of Issuance: 07/20/11  
Credit Enhancement: Freddie Mac

**Information**

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

**Unit Mix**

16 SRO/Studio Units  
 15 1-Bedroom Units  
 28 2-Bedroom Units  


---

 59 Total Units

<b>Unit Type &amp; Number</b>	<b>2010 Rents Targeted % of Area Median Income</b>	<b>2010 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
10 SRO/Studio	45%	45%	\$815
6 SRO/Studio	30%	30%	\$543
14 1 Bedroom	50%	50%	\$970
28 2 Bedrooms	50%	50%	\$1,165
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$12,732,610  
 Estimated Residential Project Cost: \$12,732,610

**Construction Financing**

Source	Amount
Citibank- Tax Exempt Bonds	\$7,000,000
City of San Jose- NSP II	\$3,809,292
Deferred City of San Jose Interest	\$258,087
Deferred Reserve Funding	\$292,637
Deferred Developer Fee	\$783,147
Tax Credit Equity	\$589,447

**Residential**

Construction Cost Per Square Foot: \$75  
 Per Unit Cost: \$215,807

**Permanent Financing**

Source	Amount
Citibank- Tax Exempt Bonds	\$3,639,000
City of San Jose- NSP II	\$5,250,000
Accrued Interest-City San Jose NSP II	\$258,087
Lease Up Income	\$376,782
Deferred Developer Fee	\$220,115
Tax Credit Equity	\$2,988,626
<b>TOTAL</b>	<b>\$12,732,610</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$5,115,362
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$5,225,926
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,115,362
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$5,225,926
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$173,922
Maximum Annual Federal Credit, Acquisition:	\$177,681
Total Maximum Annual Federal Credit:	\$351,603
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,033,147
Investor/Consultant:	Churchill Stateside Group
Federal Tax Credit Factor:	\$0.85000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$10,341,288
Actual Eligible Basis:	\$10,341,288
Unadjusted Threshold Basis Limit:	\$13,337,929
Total Adjusted Threshold Basis Limit:	\$30,543,858

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 89%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

**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 limitations. 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 3.40% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC’s financial evaluation at project completion will determine the final allocation.

**Local Reviewing Agency:**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$351,603</b>	<b>\$0</b>

**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 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 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 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.

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 contracts for services and contract with a bona fide service coordinator/social worker 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less), at least one high efficiency toilet (1.3 gallons per flush) or dual-flush toilet per unit, inclusion of no-smoking buildings or sections of buildings.