CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 13, 2013

Project Number CA-13-874

Project Name Villa San Pedro

Site Address:	282 Danze Drive			
	San Jose,	CA	95111	County: Santa Clara
Census Tract:	5120.430			

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,335,636	$0
Recommended:	$1,335,636	$0

Applicant Information

Applicant:	Bendorf Drive, LP		
Contact:	Vanessa Cooper		
Address:	505 West Julian Street		
	San Jose, CA 95110		
Phone:	408-975-4650	Fax:	408-361-4850
Email:	vanessac@hacsc.org		

General Partner(s) or Principal Owner(s):	Villa San Pedro HDC, Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	Housing Authority of the County of Santa Clara
Developer:	Housing Authority of the County of Santa Clara
Consultant:	Community Economics
Management Agent:	John Stewart Co.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	13
Total # of Units:	100
No. & % of Tax Credit Units:	99 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / FHA HUD 221(d)(4) / HUD Project-Based Section 8 Contract (88 units - 88%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	33
Number of Units @ or below 60% of area median income:	66

Bond Information

Issuer:	Housing Authority of the County of Santa Clara
Expected Date of Issuance:	11/18/2013
Credit Enhancement:	None

Information

Housing Type:	Large Family
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Benjamin Schwartz

Unit Mix

34	1-Bedroom Units
45	2-Bedroom Units
15	3-Bedroom Units
6	4-Bedroom Units
100	Total Units

Unit Type & Number		2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	39%	$741
9	1 Bedroom	50%	50%	$950
20	1 Bedroom	60%	60%	$1,140
3	1 Bedroom	60%	60%	$1,140
15	2 Bedrooms	50%	50%	$1,140
29	2 Bedrooms	60%	60%	$1,368
3	3 Bedrooms	50%	36%	$957
2	3 Bedrooms	50%	50%	$1,317
8	3 Bedrooms	60%	55%	$1,445
2	3 Bedrooms	60%	55%	$1,445
1	4 Bedrooms	50%	40%	$1,169
1	4 Bedrooms	50%	50%	$1,470
4	4 Bedrooms	60%	60%	$1,764
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Financing		**Residential**	
Estimated Total Project Cost:	$40,467,543	Construction Cost Per Square Foot:	$154
Estimated Residential Project Cost:	$40,467,543	Per Unit Cost:	$404,675

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
Bank of the West	$25,292,137	Prudential - FHA HUD 221(d)(4)	$15,559,000
Seller Take-Back	$10,148,596	Seller Take-Back	$10,148,596
GP Equity	$500,000	Accrued Interest	$48,916
Tax Credit Equity	$2,777,804	Deferred Developer Fee	$432,509
		GP Equity	$500,000
		Tax Credit Equity	$13,778,522
		TOTAL	**$40,467,543**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$22,327,311
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$12,713,110
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$29,025,504
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	$12,713,110
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$928,816
Maximum Annual Federal Credit, Acquisition:	$406,820
Total Maximum Annual Federal Credit:	$1,335,636
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$1.03161

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:	$35,040,422
Actual Eligible Basis:	$35,040,422
Unadjusted Threshold Basis Limit:	$23,903,060
Total Adjusted Threshold Basis Limit:	$36,571,682

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: 33%

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 3.20% 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.

Special Issues/Other Significant Information:
The total development costs are roughly $404,675 per unit. The factors contributing to the higher than average cost per unit include high real estate and acquisition costs for the area, which is an infill site close proximity to several popular amenities. In addition, the project is includes buildings that are over 40 years old, where most of the systems are being completely replaced. Other factors include a high capitalized operating reserve, OID adjustment of the HCD loan, and a full city loan repayment.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
$1,335,636	**$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 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.

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 the following service amenities 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:

- After school program on-site
- Instructor-led educational classes, health and wellness or skill-building classes on-site
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).