

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 15, 2015**

**Project Number** CA-15-853

**Project Name** Alexander Station  
 Site Address: 200 East 10th Street  
 Gilroy, CA 95020 County: Santa Clara  
 Census Tract: 5126.030

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
|---------------------------|-----------------------|--------------------|
| Requested:                | \$4,001,768           | \$0                |
| Recommended:              | \$4,001,768           | \$0                |

**Applicant Information**

Applicant: Gilroy Pacific Associates, a California Limited Partnership  
 Contact: Caleb Roope  
 Address: 430 E. State Street, Suite 100  
 Eagle, ID 83616  
 Phone: 208.461.0022 Fax: 208.461.3267  
 Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): TPC Holdings V, LLC  
 W R Spann, LLC  
 Central Valley Coalition for Affordable Housing  
 General Partner Type: Joint Venture  
 Parent Company(ies): TPC Holdings V, LLC  
 W R Spann, LLC  
 Central Valley Coalition for Affordable Housing  
 Developer: Pacific West Communities, Inc.  
 Investor/Consultant: Wells Fargo  
 Management Agent: U.S. Residential Group LLC

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 262  
 No. & % of Tax Credit Units: 260 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 27  
 Number of Units @ or below 60% of area median income: 233

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: July 20, 2015  
 Credit Enhancement: None

**Information**

Housing Type: Large Family  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Daniel Tran

**Unit Mix**

18 1-Bedroom Units  
 110 2-Bedroom Units  
 102 3-Bedroom Units  
 32 4-Bedroom Units  


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 262 Total Units

| <u>Unit Type &amp; Number</u> | <u>2015 Rents Targeted<br/>% of Area Median<br/>Income</u> | <u>2015 Rents Actual<br/>% of Area Median<br/>Income</u> | <u>Proposed<br/>Rent<br/>(including<br/>utilities)</u> |
|-------------------------------|--|--|--|
| 2 1 Bedroom                   | 50%  | 50%  | \$988  |
| 16 1 Bedroom                  | 60%  | 59%  | \$1,185  |
| 11 2 Bedrooms                 | 50%  | 50%  | \$1,185  |
| 99 2 Bedrooms                 | 60%  | 53%  | \$1,262  |
| 10 3 Bedrooms                 | 50%  | 50%  | \$1,369  |
| 90 3 Bedrooms                 | 60%  | 52%  | \$1,445  |
| 4 4 Bedrooms                  | 50%  | 50%  | \$1,527  |
| 28 4 Bedrooms                 | 60%  | 52%  | \$1,605  |
| 2 3 Bedrooms                  | Manager's Unit   | Manager's Unit   | \$0  |

\*One three-bedroom unit will be serve as a third manager/maintenance unit and will be occupied by an income-qualified tenant targeted at or below 60% AMI.

**Project Cost Summary at Application**

|                                       |                      |
|---------------------------------------|----------------------|
| Land and Acquisition                  | \$6,840,000          |
| Construction Costs                    | \$70,322,625         |
| Rehabilitation Costs                  | \$0                  |
| Construction Contingency              | \$4,000,000          |
| Relocation                            | \$0                  |
| Architectural/Engineering             | \$945,000            |
| Construction Interest, Perm Financing | \$5,600,300          |
| Legal Fees, Appraisals                | \$210,000            |
| Reserves                              | \$2,372,710          |
| Other Costs                           | \$10,424,137         |
| Developer Fee                         | \$2,500,000          |
| Commercial Costs                      | \$0                  |
| <b>Total</b>                          | <b>\$103,214,772</b> |

**Project Financing**

|                                     |               |
|-------------------------------------|---------------|
| Estimated Total Project Cost:       | \$103,214,772 |
| Estimated Residential Project Cost: | \$103,214,772 |

**Residential**

|                                    |           |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$246     |
| Per Unit Cost:                     | \$393,950 |

**Construction Financing**

| Source                 | Amount       |
|------------------------|--------------|
| Citibank, N.A.         | \$60,000,000 |
| GAHBI*                 | \$28,000,000 |
| Deferred Developer Fee | \$2,500,000  |
| Deferred Costs         | \$2,372,710  |
| Tax Credit Equity      | \$10,342,062 |

**Permanent Financing**

| Source            | Amount               |
|-------------------|----------------------|
| Citibank, N.A.    | \$32,000,000         |
| GAHBI*            | \$28,000,000         |
| Tax Credit Equity | \$43,214,772         |
| <b>TOTAL</b>      | <b>\$103,214,772</b> |

\*Gilroy Affordable Housing Builders & Investors, Inc.

**Determination of Credit Amount(s)**

|  |               |
|--|---------------|
| Requested Eligible Basis:                                  | \$93,281,311  |
| 130% High Cost Adjustment:                                 | Yes           |
| Applicable Fraction:                                       | 100.00%       |
| Qualified Basis:   | \$121,265,704 |
| Applicable Rate:   | 3.30%         |
| Total Maximum Annual Federal Credit:                       | \$4,001,768   |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,500,000   |
| Investor/Consultant:                                       | Wells Fargo   |
| Federal Tax Credit Factor:                                 | \$1.07989     |

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:  | \$93,281,311  |
| Actual Eligible Basis:                | \$93,281,311  |
| Unadjusted Threshold Basis Limit:     | \$91,779,550  |
| Total Adjusted Threshold Basis Limit: | \$118,163,847 |

**Adjustments to Basis Limit:**

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

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

**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 3.30% 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:** None

**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>\$4,001,768</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 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:** None