CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015

Plum Tree West Apartments, located at 1055 Montebello Drive in Gilroy, CA, requested and is being recommended for a reservation of $654,355 in annual federal tax credits to finance the acquisition and rehabilitation of 69 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Preservation Partners Development, III LP and will be located in Senate District 17 and Assembly District 30.

Plum Tree West Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Plum Tree Apartments CA-2000-902. See **Special Issues/Other Signficant Information** below for additional resyndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-15-903

Project Name Plum Tree West Apartments

Site Address: 1055 Montebello Drive
Gilroy, CA 95020 County: Santa Clara

Census Tract: 5125.100

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$654,355	$0
Recommended:	$654,355	$0

Applicant Information

Applicant:	Plum Tree West Preservation Limited Partnership
Contact:	William Szymczak
Address:	21515 Hawthorne Blvd., Suite 390 Torrance, CA 90503
Phone:	(310) 802-6671
Email:	bill@preservationpartners.org

General Partner(s) or Principal Owner(s):	JHC-Plum Tree West LLC Plum Tree West Preservation Partners LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Jamboree Housing Corporation Preservation Partners, LLC
Developer:	Preservation Partners Development, III LP
Investor/Consultant:	Candeur Group, LLC
Management Agent:	Preservation Partners Management Group, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 70
No. & % of Tax Credit Units: 69 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / HUD Section 8 Project-based Contract (69 units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 7
Number of Units @ or below 60% of area median income: 62

Bond Information

Issuer: CalHFA
Expected Date of Issuance: December 16, 2015
Credit Enhancement: N/A

Information

Housing Type: Seniors
Geographic Area: South and West Bay Region
TCAC Project Analyst: Marlene McDonough

Unit Mix

69 1-Bedroom Units
1 2-Bedroom Units
70 Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	1 Bedroom	50%	50%	$997
62	1 Bedroom	60%	60%	$1,197
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$2,000

Project Cost Summary at Application

Land and Acquisition	$17,200,000
Construction Costs	$0
Rehabilitation Costs	$2,028,443
Construction Contingency	$212,849
Relocation	$309,600
Architectural/Engineering	$110,000
Construction Interest, Perm Financing	$564,736
Legal Fees, Appraisals	$205,000
Reserves	$332,369
Other Costs	$174,764
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$23,637,761**

Project Financing

Estimated Total Project Cost:	$23,637,761
Estimated Residential Project Cost:	$23,637,761

Residential

Construction Cost Per Square Foot:	$35
Per Unit Cost:	$337,682

Construction Financing

Source	Amount
Citi Community Capital*	$21,350,000
Seller Carryback Note*	$1,499,036
Tax Credit Equity	$518,725

*Tax Exempt Bonds totaling $22,849,036

Permanent Financing

Source	Amount
Citi Community Capital	$15,268,000
Seller Carryback Note	$1,499,036
Tax Credit Equity	$6,870,725
TOTAL	**$23,637,761**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,253,283
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$16,575,659
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$3,253,283
Qualified Basis (Acquisition):	$16,575,659
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$107,358
Maximum Annual Federal Credit, Acquisition:	$546,997
Total Maximum Annual Federal Credit:	$654,355
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Candeur Group, LLC
Federal Tax Credit Factor:	$1.05000

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:	$19,828,942
Actual Eligible Basis:	$19,828,942
Unadjusted Threshold Basis Limit:	$17,739,651
Total Adjusted Threshold Basis Limit:	$21,287,581

Adjustments to Basis Limit:

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

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. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement income targeting is 69 units at 60% AMI.

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
$654,355	**$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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- 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 will implement the following sustainable building management practices:

  (i) Development of a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Certify building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and (iii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).