CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

Monte Vista Gardens Family Apartments, located at 2601 Nuestra Castillo Court in San Jose, requested and is being recommended for a reservation of $1,348,870 in annual federal tax credits to finance the acquisition and rehabilitation of 114 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 15 and Assembly District 27.

Monte Vista Gardens Family Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Monte Vista Gardens Family Housing (CA-00-110). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-857

Project Name Monte Vista Gardens Family Apartments

Site Address: 2601 Nuestra Castillo Court
San Jose, CA 95127 County: Santa Clara

Census Tract: 5040.020

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,348,870	$0
Recommended:	$1,348,870	$0

Applicant Information

Applicant: Monte Vista Community Partners, LP
Contact: Seth Gellis
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: 949-236-8280 Fax: 714-662-4412
Email: sgellis@wncinc.com

General Partner(s) or Principal Owner(s): JHC - Monte Vista, LLC
WNC - Monte Vista Partners G/P, LLC
General Partner Type: Joint Venture
Parent Company(ies): Jamboree Housing Corporation
WNC Development Partners, LLC
Developer: Community Preservation Partners, LLC
Investor/Consultant: WNC & Associates, Inc.
Management Agent: FPI Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 6
Total # of Units: 144
No. & % of Tax Credit Units: 114 79.72%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 24
Number of Units @ or below 50% of area median income: 52
Number of Units @ or below 60% of area median income: 38

Bond Information

Issuer: CalHFA
Expected Date of Issuance: July 1, 2016
Credit Enhancement: N/A

Information

Housing Type: Large Family
Geographic Area: South and West Bay Region
TCAC Project Analyst: Zhuo Chen

Unit Mix

24	1-Bedroom Units
72	2-Bedroom Units
48	3-Bedroom Units
144	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12	1 Bedroom	30%	30%	$599
6	1 Bedroom	35%	35%	$698
1	1 Bedroom	50%	50%	$997
6	2 Bedrooms	35%	35%	$837
12	2 Bedrooms	50%	50%	$1,196
38	2 Bedrooms	50%	50%	$1,196
1	3 Bedrooms	50%	50%	$1,383
38	3 Bedrooms	60%	60%	$1,658
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$2,391
5	1 Bedroom	Market Rate Unit	Market Rate Unit	$1,993
15	2 Bedrooms	Market Rate Unit	Market Rate Unit	$2,391
9	3 Bedrooms	Market Rate Unit	Market Rate Unit	$2,763

Project Cost Summary at Application	
Land and Acquisition	$36,990,000
Construction Costs	$0
Rehabilitation Costs	$5,526,576
Construction Contingency	$552,658
Relocation	$144,000
Architectural/Engineering	$187,000
Construction Interest, Perm Financing	$2,369,552
Legal Fees, Appraisals	$207,500
Reserves	$514,494
Other Costs	$427,086
Developer Fee	$6,441,418
Commercial Costs	$0
Total	**$53,360,284**

Project Financing	
Estimated Total Project Cost:	$53,360,284
Estimated Residential Project Cost:	$53,360,284
Estimated Commercial Project Cost	$0

Residential	
Construction Cost Per Square Foot:	$35
Per Unit Cost:	$370,558
Effective Per Unit Cost:	$290,556

Construction Financing

Source	Amount
Citibank, N.A.	$34,000,000
Seller Carryback Loan	$7,495,539
Net Operating Income	$1,984,787
Deferred Developer Fee	$6,441,418
Tax Credit Equity	$3,438,540

Permanent Financing

Source	Amount
Citibank, N.A.	$24,700,000
Seller Carryback Loan	$7,495,539
Net Operating Income	$1,695,552
Deferred Developer Fee	$4,024,631
Tax Credit Equity	$15,444,562
TOTAL	**$53,360,284**

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$9,713,204
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$39,721,000
Applicable Fraction:	79.28%
Qualified Basis (Rehabilitation):	$10,011,309
Qualified Basis (Acquisition):	$31,492,359
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$325,368
Maximum Annual Federal Credit, Acquisition:	$1,023,502
Total Maximum Annual Federal Credit:	$1,348,870
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,441,418
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	$1.14500

Per Regulation Section 10322(h)(9)(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:	$49,434,204
Actual Eligible Basis:	$49,434,204
Unadjusted Threshold Basis Limit:	$44,399,976
Total Adjusted Threshold Basis Limit:	$74,591,960

Adjustments to Basis Limit

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

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 32%

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 does not meet the minimum operating expenses established in the Regulations (see "Special Issues/Other Significant Information" section), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% 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

Special Issues/Other Significant Information

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $5,100. As allowed by Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $4,866 on agreement of the permanent lender and equity investor.

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 expires 12/31/2055. The existing regulatory agreement income targeting is 10% of units at or below 30% AMI, 10% of units at or below 35% AMI, and 45% of units at or below 50% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

The project is a re-syndication that is subject to the hold harmless rent provisions of the federal Housing and Economic Recovery Act of 2008 (HERA). The applicant requested and is approved to underwrite the project at the hold harmless rent limits. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge hold harmless rents (specifically, for 76 units targeted at below 60% AMI) only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

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
$1,348,870	**$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: None.