CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 17, 2016
REVISED

Don de Dios Apartments, located at 987 Fair Avenue in San Jose, requested and is being recommended for a reservation of $1,165,579 in annual federal tax credits to finance the acquisition and rehabilitation of 68 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by EAH Inc. and is located in Senate District 15 and Assembly District 27.

Don de Dios Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Don de Dios Apartments (CA-99-805). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-918

Project Name Don de Dios Apartments
Site Address: 987 Fair Avenue
San Jose, CA 95122 County: Santa Clara
Census Tract: 5031.170

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,165,579	$0
Recommended:	$1,165,579	$0

Applicant Information

Applicant: Don de Dios L.P.
Contact: Errol Dominguez
Address: 2169 E. Francisco Blvd., Ste. B
San Rafael, CA 94901
Phone: 415-295-8855 Fax: 415-295-8855
Email: errol.dominguez@eahhousing.org

General Partner(s) or Principal Owner(s): Don de Dios EAH, LLC
General Partner Type: Nonprofit
Parent Company(ies): EAH Inc.
Developer: EAH Inc.
Investor/Consultant: California Housing Partnership Corporation
Management Agent: EAH, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	14
Total # of Units:	70
No. & % of Tax Credit Units:	68 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	58
Number of Units @ or below 60% of area median income:	10

Bond Information

Issuer:	City of San Jose
Expected Date of Issuance:	October 20, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

6	1-Bedroom Units
20	2-Bedroom Units
29	3-Bedroom Units
15	4-Bedroom Units
70	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	1 Bedroom	50%	44%	$916
17	2 Bedrooms	50%	47%	$1,182
22	3 Bedrooms	50%	47%	$1,361
14	4 Bedrooms	50%	44%	$1,418
1	1 Bedroom	60%	52%	$1,079
2	2 Bedrooms	60%	57%	$1,435
6	3 Bedrooms	60%	57%	$1,658
1	4 Bedrooms	60%	57%	$1,850
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$12,340,369
Construction Costs	$0
Rehabilitation Costs	$10,129,999
Construction Contingency	$1,519,500
Relocation	$1,544,815
Architectural/Engineering	$509,210
Const. Interest, Perm. Financing	$1,482,490
Legal Fees, Appraisals	$117,000
Reserves	$381,011
Other Costs	$573,624
Developer Fee	$4,025,559
Commercial Costs	$0
Total	**$32,623,577**

Project Financing	
Estimated Total Project Cost:	$32,623,577
Estimated Residential Project Cost:	$32,623,577
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$136
Per Unit Cost:	$466,051
True Cash Per Unit Cost*:	$370,913

Construction Financing

Source	Amount
Union Bank - TE Bonds	$20,000,000
City of San Jose (Assumed)	$1,626,224
Seller Carryback Loan	$5,690,308
Deferred Interest	$292,661
Withdrawal from Project Reserves	$190,954
Deferred Developer Fee	$969,352
Tax Credit Equity	$1,254,572

Permanent Financing

Source	Amount
Union Bank - TE Bonds	$6,366,000
City of San Jose (Assumed)	$1,626,224
Seller Carryback Loan	$5,690,308
EAH Sponsor Loan	$1,750,000
Deferred Interest	$292,661
Withdrawal from Project Reserves	$190,954
Net Operating Income	$214,860
Deferred Developer Fee	$969,352
GP Equity	$2,100,000
Tax Credit Equity	$13,423,218
TOTAL	**$32,623,577**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$16,671,192
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$14,191,425
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$21,672,550
Qualified Basis (Acquisition):	$14,191,425
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$704,358
Maximum Annual Federal Credit, Acquisition:	$461,221
Total Maximum Annual Federal Credit:	$1,165,579
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,025,559
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.15164

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:	$30,862,617
Actual Eligible Basis:	$30,862,617
Unadjusted Threshold Basis Limit:	$24,173,638
Total Adjusted Threshold Basis Limit:	$44,721,230

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: 85%

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 3.25% 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 allocation.

Special Issues/Other Significant Information

The applicant requested and has been granted a partial waiver of the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) due to excessive expensiveness, such that 7% (i.e. 5 units) shall meet the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use.

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 01/01/2000 through 12/31/2014. The existing regulatory agreement expires 12/31/2029. The existing regulatory agreement income targeting is 40% of units at or below 60% 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 in the amount of $925,650 that is otherwise required.

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**
$1,165,579	**$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.