CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2016

Villa De Guadalupe Apartments, located at 2151 Plaza De Guadalupe in San Jose, requested and is being recommended for a reservation of $1,655,567 in annual federal tax credits to finance the acquisition and rehabilitation of 100 units of housing serving seniors with rents affordable to households earning 35-50% of area median income (AMI). The project will be developed by Standard Property Company, Inc. and is located in Senate District 15 and Assembly District 27.

Villa De Guadalupe Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Villa De Guadalupe (CA-01-900). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-982

Project Name Villa De Guadalupe Apartments
Site Address: 2151 Plaza De Guadalupe
San Jose, CA 95116 County: Santa Clara
Census Tract: 5037.100

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,655,567	$0
Recommended:	$1,655,567	$0

Applicant Information

Applicant: Burnham VDG Venture LP
Contact: Joon Lee
Address: 126 East 56th Street, Suite 1910
New York, NY 10022
Phone: (212) 249-2134 Fax: (310) 551-1666
Email: jlee@standardproperty.com

General Partner(s) or Principal Owner(s): Burnham VDG Manager LP
Housing On Merit VI LLC
General Partner Type: Joint Venture
Parent Company(ies): Burnham GP LLC
Housing On Merit
Developer: Standard Property Company, Inc.
Investor/Consultant: Alliant Capital, Ltd.
Management Agent: Apartment Management Consultants, L.L.C.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	101
No. & % of Tax Credit Units:	100 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (100% - 101 units)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 35% of area median income:	15
Number of Units @ or below 50% of area median income:	85

Bond Information

Issuer:	City of San Jose
Expected Date of Issuance:	March 31, 2017
Credit Enhancement:	N/A

Information

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

Unit Mix

101 1-Bedroom Units

101 Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
85	1 Bedroom	50%	50%	$1,046
15	1 Bedroom	35%	35%	$732
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$1,230

Project Cost Summary at Application	
Land and Acquisition	$42,629,759
Construction Costs	$0
Rehabilitation Costs	$4,230,412
Construction Contingency	$0
Relocation	$0
Architectural/Engineering	$289,588
Const. Interest, Perm. Financing	$2,399,565
Legal Fees, Appraisals	$215,000
Reserves	$587,792
Other Costs	$226,189
Developer Fee	$6,441,937
Commercial Costs	$0
Total	**$57,020,241**

Project Financing	
Estimated Total Project Cost:	$57,020,241
Estimated Residential Project Cost:	$57,020,241
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$51
Per Unit Cost:	$564,557
True Cash Per Unit Cost*:	$512,468

Construction Financing

Source	Amount
Citibank, N.A.	$38,500,000
Deferred Developer Fee	$5,261,004
Tax Credit Equity	$13,259,237

Permanent Financing

Source	Amount
Citibank, N.A.	$33,548,000
Deferred Developer Fee	$5,261,004
Tax Credit Equity	$18,211,237
TOTAL	**$57,020,241**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,235,331
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$44,152,851
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,805,930
Qualified Basis (Acquisition):	$44,152,851
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$220,599
Maximum Annual Federal Credit, Acquisition:	$1,434,968
Total Maximum Annual Federal Credit:	$1,655,567
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,441,937
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	$1.10000

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:	$49,388,181
Actual Eligible Basis:	$49,388,181
Unadjusted Threshold Basis Limit:	$24,244,545
Total Adjusted Threshold Basis Limit:	$54,550,227

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: 85%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 30%

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

Before closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-01-900). 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 01/01/2002 through 12/31/2016. The existing regulatory agreement expires 12/31/2056. The existing regulatory agreement income targeting is 11 units at or below 50% AMI and 89 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

This project is the resyndication of an existing tax credit project, CA-01-900, which is under a 55-year TCAC extended use agreement. The new reservation of tax credits will result in moderately deeper rent/income targeting than the original award of tax credits by increasing the number of units restricted at or below 50% AMI from 11 units to 85 units and by restricting 15 units at or below 35% AMI. The affordable housing restrictions will extend out to approximately year 2070.

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $38,700. In lieu of a Short Term Work Capitalized Reserve, the applicant is allowed to use the Short Term Work Reserve Amount of $38,700 to fund rehabilitation expenses. The $38,700 is excluded from eligible basis.

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
$1,655,567	**$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.