CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 17, 2017
REVISED

Catalonia Apartments, located at 2036 Evans Lane in San Jose, requested and is being recommended for a reservation of $1,066,271 in annual federal tax credits to finance the acquisition and rehabilitation of 49 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 27 and Assembly District 15.

Catalonia Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Catalonia (CA-1993-159). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-738

Project Name	Catalonia Apartments	
Site Address:	2036 Evans Lane	
	San Jose, CA 95125	County: Santa Clara
Census Tract:	5031.23	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,066,271	$0
Recommended:	$1,066,271	$0

Applicant Information

Applicant:	Catalonia Two, L.P.	
Contact:	Linda Mandolini	
Address:	22645 Grand Street	
	Hayward, CA 94541	
Phone:	510-582-1460	Fax: 510-582-0122
Email:	lmandolini@edenhousing.org	

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

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	8	
Total # of Units:	50	
No. & % of Tax Credit Units:	49	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: 11
Number of Units @ or below 60% of area median income: 38

Bond Information

Issuer:	City of San Jose
Expected Date of Issuance:	August 26, 2017
Credit Enhancement:	N/A

Information

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

Unit Mix

37	3-Bedroom Units
13	4-Bedroom Units
50	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	3 Bedrooms	50%	50%	$1,448
3	4 Bedrooms	50%	47%	$1,519
28	3 Bedrooms	60%	54%	$1,575
10	4 Bedrooms	60%	55%	$1,790
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $68,308,944

Project Cost Summary at Application

Land and Acquisition	$12,317,350
Construction Costs	$0
Rehabilitation Costs	$9,261,247
Construction Contingency	$1,160,000
Relocation	$60,000
Architectural/Engineering	$835,200
Const. Interest, Perm. Financing	$1,667,953
Legal Fees, Appraisals	$139,400
Reserves	$240,693
Other Costs	$612,701
Developer Fee	$3,725,980
Commercial Costs	$0
Total	**$30,020,524**

Project Financing

Estimated Total Project Cost:	$30,020,524
Estimated Residential Project Cost:	$30,020,524
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$130
Per Unit Cost:	$600,410
True Cash Per Unit Cost*:	$555,891

Construction Financing

Source	Amount
US Bank	$17,713,027
City of San Jose - Loan Assumption	$2,250,000
City of San Jose - Accrued Interest	$1,248,927
Seller Financing	$4,514,739
Seller Loan - Accrued Interest	$146,955
Existing Reserves	$325,394
Deferred Costs	$675,000
Deferred Developer Fee	$2,225,980
Tax Credit Equity	$920,502

Permanent Financing

Source	Amount
US Bank	$6,497,000
City of San Jose - Loan Assumption	$2,250,000
City of San Jose - Accrued Interest	$1,248,927
Seller Financing	$4,514,739
Seller Loan - Accrued Interest	$146,955
Sponsor Loan	$2,000,000
Existing Reserves	$325,394
Income from Operations	$391,506
Deferred Developer Fee	$2,225,980
Tax Credit Equity	$10,420,023
TOTAL	**$30,020,524**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$14,498,745
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$13,959,957
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$18,848,369
Qualified Basis (Acquisition):	$13,959,957
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$612,572
Maximum Annual Federal Credit, Acquisition:	$453,699
Total Maximum Annual Federal Credit:	$1,066,271
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,725,980
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.97724

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:	$28,458,702
Actual Eligible Basis:	$28,565,845
Unadjusted Threshold Basis Limit:	$22,563,470
Total Adjusted Threshold Basis Limit:	$28,909,972

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

● Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Seismic Upgrading

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 22%

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1993-159). 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 01/01/1996 through 12/31/2011. The existing regulatory agreement expires 12/31/2051. The existing regulatory agreement income targeting is 10 units at or below 50% AMI, 39 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).

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $1,621,076. Since there is no distribution of Net Project Equity, the project is waived from the requirements of TCAC Regulation Section 10320(b)(4)(B), and thus allowed to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency

The Local Reviewing Agency,The City of San Jose, has completed a site review of this project and strongly supports this project.

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
$1,066,271	**$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