CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 22, 2009

Project Number CA-2009-863

Project Name Miramar Way
Address: 3761 Miramar Way
Santa Clara, CA 95051 County: Santa Clara

Applicant Information
Applicant: Housing Authority of the County of Santa Clara
Contact Marianne Lim
Address: 100 Great Oaks Boulevard, 2nd Floor
San Jose, CA 95119
Phone: (408) 361-4676 Fax: (408) 361-4664
Email: mariannel@hacsc.org
Sponsors Type: Nonprofit

Information
Housing Type: Non-targeted

Bond Information
Issuer: Housing Authority of the County of Santa Clara
Expected Date of Issuance: November 18, 2009
Credit Enhancement: JP Morgan Chase & Freddie Mac

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$225,461	$0
Recommended:	$225,461	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers
HCD MHP Funding: No
Total # of Units: 16
Total # Residential Buildings: 1
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 15 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 12
Number of Units @ or below 60% of area median income: 3

Eligible Basis
Actual: $6,688,301
Requested: $6,688,301
Maximum Permitted: $6,913,793

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 80%

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features

- Projects using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system
- Projects recycling at least 75% of the construction and demolition waste (measured by either weight or volume)
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

Unit Type & Number	2009 Rents Targeted % of Area Median Income	2009 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 One-bedroom Units	60%	17%	$334
2 One-bedroom Units	50%	17%	$334
4 One-bedroom Units	50%	17%	$334
6 Two-bedroom Units	50%	17%	$404
1 Two-bedroom Unit	60%	17%	$404
1 Two-bedroom Unit	Manager's Unit	Manager's Unit	$0

The general partner or principal owner is Avenida Espana HDC, Inc.

The project developer is the Housing Authority of the County of Santa Clara.

The management services will be provided by Property Management, Inc.

The market analysis was provided by Laurin Associates / Raney Planning & Management, Inc.

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.

Project Financing
Estimated Total Project Cost: $7,173,997 Per Unit Cost: $448,375 Construction Cost Per Sq. Foot: $233

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JP Morgan Chase / Prudential Mortg.	$3,678,565	Prudential Mortg. / Freddie Mac	$1,296,137
City of Santa Clara RDA	$270,298	City of Santa Clara RDA	$270,298
HACSC – Purchase Money Note	$2,117,429	HACSC – Purchase Money Note	$2,117,429
Deferred Developer Fee	$288,637	Deferred Developer Fee	$288,638
General Partner Capital	$8	Income from Operations	$122,157
		General Partner Capital	$1,169,350
		Investor Equity	$1,909,988
		TOTAL	**$7,173,997**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$3,796,180
Requested Acquisition Eligible Basis:	$2,892,121
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$3,796,180
Qualified Acquisition:	$2,892,121
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$127,968
Maximum Annual Federal Acquisition Credit:	$97,493
Total Maximum Annual Federal Credit:	$225,461
Approved Developer Fee (in Project Cost & Eligible Basis):	$577,275
Investor Consultant:	CSG Advisors
Federal Tax Credit Factor:	$0.84715

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 limitation. 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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: In determining the rehabilitation eligible basis and the acquisition eligible basis, the applicant included more of the Developer Cost under rehabilitation than allowed by regulations and less under acquisition eligible basis than allowed by regulation. Staff adjusted accordingly with no affect on the recommended credit reservation.

This project is one of several HUD Public Housing projects that the County of Santa Clara Housing Authority intends to rehabilitate using 4% tax credits.

This project will have HUD Section 8 Project-based vouchers for all 15 tax-credit units from the Housing Authority of the County of Santa Clara.

Recommendation: Staff recommends that the Committee make a 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**
$225,461	$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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 educational classes and after school programs, 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.

Project Analyst: Jack Waegell