

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 20, 2014

Project Number CA-14-874

Project Name Parkview Senior Apartments
 Site Address: 355 Race Street
 San Jose, CA 95126 County: Santa Clara
 Census Tract: 5019.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$866,196	\$0
Recommended:	\$866,196	\$0

Applicant Information

Applicant: Parkview Senior EAH II, L.P.
 Contact: Matt Steinle
 Address: 2179 E Francisco Blvd., Suite B
 San Rafael, CA 94901
 Phone: (415) 295-8821 Fax: (415) 295-8821
 Email: matt.steinle@eahhousing.org

General Partner(s) or Principal Owner(s): Parkview Senior II LLC
 EAH, Inc.
 General Partner Type: Nonprofit
 Parent Company(ies): EAH, Inc.
 Developer: EAH, Inc.
 Investor/Consultant: Community Economics, Inc.
 Management Agent: EAH, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 140
 No. & % of Tax Credit Units: 138 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-Based Section 8 Vouchers (24 units - 17%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 14
 Number of Units @ or below 50% of area median income: 124

Bond Information

Issuer: City of San Jose
 Expected Date of Issuance: October 31, 2014
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

139 1-Bedroom Units
 1 2-Bedroom Units

 140 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
14 1 Bedroom	30%	30%	\$573
10 1 Bedroom	40%	40%	\$765
114 1 Bedroom	40%	40%	\$765
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$27,045,713
 Estimated Residential Project Cost: \$27,045,713

Residential

Construction Cost Per Square Foot: \$58
 Per Unit Cost: \$193,184

Construction Financing

<u>Source</u>	<u>Amount</u>
Red Capital Construction Tax Exempt	\$15,000,000
City of San Jose Assumed Loan	\$3,087,203
Seller Carryback Loan	\$8,611,690

Permanent Financing

<u>Source</u>	<u>Amount</u>
Red Capital FHA Mortgage	\$4,088,000
City of San Jose Assumed Loan	\$3,087,203
Seller Carryback Loan	\$7,761,690
Sponsor Loan	\$2,973,000
Deferred Developer Fee	\$500,000
General Partner Equity	\$871
Tax Credit Equity	\$8,634,949
TOTAL	\$27,045,713

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,974,670
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$17,804,976
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,974,670
Qualified Basis (Acquisition):	\$17,804,976
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$267,949
Maximum Annual Federal Credit, Acquisition:	\$598,247
Total Maximum Annual Federal Credit:	\$866,196
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.99688

Per Regulation Section 10322(i)(4)(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:	\$25,779,646
Actual Eligible Basis:	\$25,779,646
Unadjusted Threshold Basis Limit:	\$33,567,485
Total Adjusted Threshold Basis Limit:	\$70,156,044

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: 89%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

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 3.36% 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:

This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Parkview Senior Apartments (CA-96-118).

Local Reviewing Agency:

The Local Reviewing Agency, 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
\$866,196	\$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: The applicant/owner is required to provide the tenants with the following service amenities 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:

- Wellness services and programs providing individualized support for tenants on-site
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.