CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2016

Laurel Grove Family Apartments, located at 777 Park Avenue in San Jose, requested and is being recommended for a reservation of $1,902,191 in annual federal tax credits to finance the new construction of 81 units of housing serving tenants with rents affordable to households earning 20-50% of area median income (AMI). The project will be developed by Housing Authority of the County of Santa Clara (HACSC) and will be located in Senate District 15 and Assembly District 27.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the TOD and AHSC programs of HCD.

Project Number	CA-16-822	
Project Name	Laurel Grove Family Apartments	
Site Address:	777 Park Avenue	
	San Jose, CA 95126	County: Santa Clara
Census Tract:	5003.000	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,902,191	$0
Recommended:	$1,902,191	$0

Applicant Information

Applicant:	Laurel Grove Lane LP	
Contact:	Flaherty Ward	
Address:	505 West Julian Street	
	San Jose, CA 95110	
Phone:	408-975-4617	Fax: 408-975-3817
Email:	flaherty.ward@hacsc.org	

General Partner(s) or Principal Owner(s):	Pinmore HDC, Inc
General Partner Type:	Nonprofit
Parent Company(ies):	Housing Authority of the Coutny of Santa Clara
Developer:	Housing Authority of the Coutny of Santa Clara
Investor/Consultant:	California Housing Partnership Corp.
Management Agent:	FPI Management, Inc

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	82
No. & % of Tax Credit Units:	81 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (81 units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 35% of area median income: 23
Number of Units @ or below 50% of area median income: 58

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	June 1, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

14	1-Bedroom Units
43	2-Bedroom Units
25	3-Bedroom Units
82	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	20%	20%	$399
11	1 Bedroom	50%	50%	$997
8	2 Bedrooms	20%	20%	$478
5	2 Bedrooms	30%	30%	$718
29	2 Bedrooms	50%	50%	$1,196
7	3 Bedrooms	20%	20%	$553
18	3 Bedrooms	50%	50%	$1,382
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$6,540,000
Construction Costs	$37,993,026
Rehabilitation Costs	$0
Construction Contingency	$5,856,454
Relocation	$0
Architectural/Engineering	$1,600,490
Construction Interest, Perm Financing	$4,244,553
Legal Fees, Appraisals	$213,750
Reserves	$439,584
Other Costs	$3,037,619
Developer Fee	$7,518,542
Commercial Costs	$0
Total	**$67,444,018**

Project Financing

Estimated Total Project Cost:	$67,444,018
Estimated Residential Project Cost:	$67,444,018

Construction Financing

Source	Amount
Citibank	$47,696,218
HACSC MTW Loan	$6,580,092
HACSC Seller Loan	$5,330,000
Accrued/Deferred Interest	$567,783
Deferred Developer Fee	$5,018,542
Tax Credit Equity	$2,175,673

Residential

Construction Cost Per Square Foot:	$368
Per Unit Cost:	$822,488

Permanent Financing

Source	Amount
Citibank	$17,495,372
HCD - AHSC	$4,000,000
HCD - TOD	$4,000,000
HACSC MTW Loan	$6,580,092
HACSC RHF Loan	$1,390,497
HACSC Seller Loan	$5,330,000
Accrued/Deferred Interest	$567,783
Deferred Developer Fee	$5,018,542
Tax Credit Equity	$23,061,732
TOTAL	**$67,444,018**

Determination of Credit Amount(s)

Requested Eligible Basis:	$57,642,157
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	$57,642,157
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$1,902,191
Approved Developer Fee (in Project Cost & Eligible Basis):	$7,518,542
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	$1.21238

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:	$57,642,157
Actual Eligible Basis:	$57,642,157
Unadjusted Threshold Basis Limit:	$26,397,506
Total Adjusted Threshold Basis Limit:	$70,924,164

Adjustments to Basis Limit

Required to Pay Prevailing Wages
Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
Local Development Impact Fees
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: 71%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 56%

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 3.30% 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:

Staff noted a per unit development cost of $822,488, which is attributed to high cost of land, prevailing wage requirements, high construction costs, construction loan related expenses, soil conditions, off-site improvements, fire access, bike parking, bike kitchen, transit passes and traffic calming.

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**
$1,902,191	**$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:

- High-speed Internet or wireless (WiFi)
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year off-site within 1/2 mile

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 becoming certified under any one of the following programs:
  Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 100/125 standard.