

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2024 First Round

May 15, 2024

Hawthorn Senior Apartments, located at 124 N. 15th Street in San Jose, requested and is being recommended for a reservation of \$2,127,500 in annual federal tax credits to finance the new construction of 101 units of housing serving seniors with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Santa Clara County Housing Authority and will be located in Senate District 15 and Assembly District 25.

The project will be receiving rental assistance in the form of Santa Clara County Measure A Project-Based Vouchers. The project financing includes state funding from the No Place Like Home (NPLH) program of HCD.

Project Number CA-24-069

Project Name Hawthorn Senior Apartments
Site Address: 124 N. 15th Street
San Jose, CA 95112
County: Santa Clara
Census Tract: 5012.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,127,500	\$0
Recommended:	\$2,127,500	\$0

Applicant Information

Applicant: Hawthorn Senior Apartments LP
Contact: Karl Lauff
Address: 124 N. 15th Street
San Jose, CA 95112
Phone: (669) 214-9902
Email: karl.lauff@scchousingauthority.org

General Partner(s) / Principal Owner(s): Hawthorn Senior Apartments LLC
General Partner Type: Nonprofit
Parent Company(ies): DeRose HDC, Inc
Developer: Santa Clara County Housing Authority
Investor/Consultant: California Housing Partnership
Management Agent(s): John Stewart Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 103
No. & % of Tax Credit Units: 101 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (47 units - 46%)

Information

Set-Aside: N/A
Housing Type: Seniors
Geographic Area: South and West Bay Region
CTCAC Project Analyst: Jacob Couch

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	51	50%
At or Below 50% AMI:	50	40%

Unit Mix

36 SRO/Studio Units
62 1-Bedroom Units
5 2-Bedroom Units
103 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 SRO/Studio	30%	\$936
28 1 Bedroom	30%	\$1,003
2 2 Bedrooms	30%	\$1,204
4 1 Bedroom	30%	\$1,003
19 SRO/Studio	50%	\$1,561
30 1 Bedroom	50%	\$1,673
1 2 Bedrooms	50%	\$2,007
2 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,202,897
Construction Costs	\$63,861,458
Construction Contingency	\$3,740,524
Architectural/Engineering	\$3,778,090
Const. Interest, Perm. Financing	\$5,066,964
Legal Fees	\$230,000
Reserves	\$1,077,352
Other Costs	\$4,497,126
Developer Fee	\$2,500,000
Total	\$88,954,411

Residential

Construction Cost Per Square Foot:	\$759
Per Unit Cost:	\$863,635
True Cash Per Unit Cost*:	\$863,635

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo	\$30,404,310	CCRC	\$14,679,000
SC County: Measure A	\$15,550,000	SC County: Measure A	\$15,550,000
SC County: NPLH ¹	\$4,000,000	SC County: NPLH ¹	\$4,000,000
SCCHA: MTW ²	\$27,815,557	SCCHA: MTW ²	\$27,815,557
SCCHA: Non-MTW	\$6,662,896	SCCHA: Non-MTW	\$6,662,896
Deferred Costs	\$2,654,452	Tax Credit Equity	\$20,246,958
Tax Credit Equity	\$1,867,196	TOTAL	\$88,954,411

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

¹ Santa Clara County: No Place Like Home

² Santa Clara County Housing Authority: Moving to Work

Determination of Credit Amount(s)

130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$23,638,889
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,127,500
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.95168

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	Seniors
Self-Score Final:	123.467%
CTCAC Final:	123.092%

Significant Information / Additional Conditions

Staff noted a per unit development cost of \$863,635. The applicant noted that the per unit cost is attributed to high land and impact fees, prevailing wages, labor, insurance, and financing costs, as well as setback requirements and height limitations that required a concrete podium and parking stackers.

Resyndication and Resyndication Transfer Event: None.

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.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Senior project within 1/2 mile of daily operated senior center/facility	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AML or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	109	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS.
ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**