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4 Featured Development: **Corde Terra Village San Jose, Calif.**



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Corde Terra Village Meets Great Need in San Jose, Calif.

By Anne Townsend, Staff Writer, Novogradac & Company LLP

In 2007, 300 families in San Jose, Calif. gained access to quality affordable housing with the completion of Corde Terra Village (Corde Terra), a 100 percent affordable, multifamily housing development. Corde Terra helps to meet an acute need for affordable housing in Santa Clara County where, according to the city of San Jose's Department of Housing, the area median income (AMI) hovers around \$100,000 for a family of four.



*Corde Terra Village
(Courtesy of ROEM Corp.)*

The completion and full-occupancy of Corde Terra marks the first phase of the three-part Fairgrounds Affordable Housing Project. Other phases include the Villas at Corde Terra, which will be comprised of 43 single-family homes, and a to-be-named 200-unit senior affordable housing project. Corde Terra was developed by ROEM Development Corporation and provides housing to very low-income families with incomes below \$47,750 for a family of three, or \$53,050 for a family of four.

The need for Corde Terra and other affordable projects in the Santa Clara County area is great. A recent study issued by Bay Area Local Initiatives Support Corporation (LISC) and San Jose State University (SJSU) identified a need for more than 90,000 new affordable housing units in Santa Clara County over the next 20 years, with only 14,000 units having been built since 1999. Furthermore, the report states 40 percent of those who seek rental housing in Santa Clara County must pay more than 30 percent of their gross income toward rent. Housing is generally considered unaffordable when the household pays rent that equals more than 30 percent to 35 percent of their income.

Historic Investment

Corde Terra received more than \$32 million in low-income housing tax credits (LIHTCs), marking the largest tax credit award in the United States in 2005. JP Morgan Capital Corporation (JP Morgan) purchased the credits resulting in LIHTC equity of more than \$33 million. This purchase represents JP Morgan's single largest investment.

"We made the investment because of the strength of the development team, the need for affordable housing in San Jose and the rental advantage," said Patrick Nash, managing director of JP Morgan. "Our interest in the property is the result of a great working relationship with our syndicator partner, Hudson Housing Capital. An investment such as Corde Terra represents an excellent example of the public/private partnerships that are necessary to make a project such as this successful."

The total development cost of the project, exclusive of the land, was \$78 million. Other sources of funding for Corde

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Corde Terra Village

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Terra include lease of the land at a preferred annual rent from the County of Santa Clara for a term of 75 years; and tax-exempt bonds (TEBs) issued by the California Housing Finance Agency (CalHFA), which were used to provide a construction loan of \$40,405,000 and a permanent first mortgage loan in the amount of \$24,235,000 with a 40-year term and an interest rate of 5.7 percent. The city of San Jose provided a subordinate loan in the amount of \$20,715,000 with a 40-year term and 4 percent simple interest rate. The city will receive 35 percent of residual cash flow as repayment; no hard debt service payments are required.

A Public-Private Partnership

Originally, the Santa Clara (County) Housing Authority (SCHA) and ROEM Corporation were to develop two projects on the single plot of land. However, each sponsor had its own vision of what its component of the residential complex should be and it soon became clear that the two entities would not be able to build and maintain two housing complexes on the one plot. The principals of both organizations determined it would make more sense

to divide their efforts by responsibility and not physical space; as a result the organizations partnered and ROEM Corporation worked to develop the project while SCHA undertook responsibility of managing the property. Other organizations playing key roles in the development of Corde Terra, such as financiers and governmental agencies, agreed to the partnership, which ROEM Corporation cites as unique in light of the radical restructuring.



Grand Opening Reception
(Courtesy of ROEM Corp.)

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Corde Terra Village

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Poolside reception for Grand Opening
(Courtesy of ROEM Corp.)

“To merge the projects, the California Tax Credit Allocation Committee (CTCAC) required a new application showing the project on a merged basis. Since this was a 4 percent tax credit reservation rather than a 9 percent tax credit allocation, less tax issues were in play,” said Marcus Griffin, CPA, director of finance for ROEM Corporation. “For the tax-exempt bonds, both projects had previously received a commitment from CalHFA. The commitments were converted to a single loan as part of the closing process.”

The Property

Corde Terra’s 300 units are located in six buildings built on almost six acres of land previously incorporated within the Santa Clara County Fairgrounds in San Jose. The

property includes 115 one-bedroom units, 155 two-bedroom units and 28 three-bedroom units (not including two two-bedroom units for staff). Monthly rents range in price from \$851 for a one-bedroom, one-bathroom unit to \$1,346 for a three-bedroom, two-bathroom unit — a bargain in the Bay Area, where rents continue to be some of the highest in the nation.

Corde Terra boasts amenities such as underground parking and an engaging courtyard system of pools, landscaping, a play area, and a community center with a fitness area, meeting space and a computer room. The project is located close to downtown San Jose, major freeways and arterial streets, which link it to area jobs, services and amenities through direct access to public transportation.

Residents of Corde Terra have access to myriad social services provided by the not-for-profit Foundation for Affordable Housing VI Inc. Services include English as a second language (ESL) classes, an after-school program and children’s summer programs. Residents also enjoy computer classes, continued education and access to a library. Educational, lifestyle, recreational, health and wellness programs are provided. Those who call Corde Terra home also find themselves engaged in activities that build community involvement with the surrounding neighborhood. Links to assistance programs, both on-site and off-site, are available. ❖

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