

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2007 Second Round Cycle**  
**September 26, 2007**

**Project Number** CA-2007-127

**Project Name** Monterey Family Village  
**Site Address:** 2774 Monterey Highway  
San Jose, CA 95111 County: Santa Clara Census Tract: 5032.14

**Applicant Information**

**Applicant:** Monterey Family Apartments, a California Limited Partnership  
**Contact:** Andrew Hanna  
**Address:** 5 Park Plaza, Suite 980  
Irvine, CA 92614  
**Phone:** (949) 222-9119 **Fax:** (949) 222-0942  
**General Partners(s)Type:** Joint Venture

**Information**

**Set-Aside:** N/A  
**Housing Type:** Large Family  
**Geographic Area:** San Mateo and Santa Clara Counties

**Eligible Basis**

**Requested:** \$16,162,552  
**Actual:** \$16,162,552  
**Maximum Permitted:** \$16,503,633

**Adjustments to Threshold Basis Limit:**

Local Impact Fees   
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features   
Region Where Development Costs Frequently Exceed Published Limit

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,621,864	\$0
Recommended:	\$1,621,864	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** N/A  
**Total # of Units:** 72  
**Total # Residential Buildings:** 9

**Income/Rent Targeting**

**Federal Set-Aside Elected:** 40%/60%  
**% & No. of Tax Credit Units:** 100% - 71 units  
**Breakdown by %:** 10% @ 30%, 10% @ 40%, 50% @ 50%

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b><i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points</b>	<b>20</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> Cost Efficiency	18	2	2
<input checked="" type="checkbox"/> Credit Reduction	20	7	7
<b><i>Owner / Management Characteristics</i> Maximum of 9 points</b>	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b><i>Housing Needs</i> Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b><i>Site Amenities</i> Maximum of 15 points</b>	<b>15</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
<input checked="" type="checkbox"/> Within ¼ mile of convenience market where staples are sold	2	2	2
<input checked="" type="checkbox"/> Within 1 mile of medical clinic or hospital	2	2	2
<b><i>Service Amenities</i> Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<b><i>Sustainable Building Methods</i> Maximum of 8 points</b>	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<input checked="" type="checkbox"/> Project design incorporates Universal Design	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<b><i>Lowest Income</i> Maximum of 52 points</b>	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b><i>Readiness to Proceed</i> Maximum of 20 points</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b><i>State credit substitution</i> Maximum of 2 points</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>155</b>	<b>130</b>	<b>130</b>

**Tie-Breaker Information**

Tie-Breaker Categories Apply to this Project: **No**  
 First: Housing Type **Large Family**  
 Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **No**  
 Third: Calculated Ratio per Regulation 10325(c)(12) **102.434%**

<b><u>Unit Type &amp; Number</u></b>	<b><u>2007 Rents % of Area Median Income</u></b>	<b><u>Proposed Rent (including utilities)</u></b>
3 2 bedroom	30%	\$716
3 2 bedroom	40%	\$955
14 2 bedroom	50%	\$1,193
7 2 bedroom	60%	\$1,304
5 3 bedroom	30%	\$828
5 3 bedroom	40%	\$1,103
22 3 bedroom	50%	\$1,379
12 3 bedroom	60%	\$1,565
1 2 bedroom	Manager's unit	\$0

The general partner(s) or principal owner(s) are Global Premier Development, Inc. and LINC Housing Corporation.

The project developer is Global Premier Development, Inc.

The management agent is Buckingham Property Management.

The market analyst is Prior and Associates.

The Local Reviewing Agency, the City of San Jose, has completed a site review of this project and strongly supports this project.

### Project Financing

Estimated Total Project Cost: \$24,698,429 Per Unit Cost: \$343,034 Construction Cost Per Sq. Foot: \$115

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
SunAmerica	\$15,594,575	SunAmerica	\$7,710,049
Deferred Developer Fee	\$1,400,000	AHP	\$900,000
Investor Equity	\$7,703,854	Deferred Developer Fee	\$680,672
		Investor Equity	\$15,407,708
		<b>TOTAL</b>	<b>\$24,698,429</b>

### Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,162,552
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$1,470,792
Qualified Basis:	\$19,540,526
Applicable Rate:	8.30%
Total Maximum Annual Federal Credit:	\$1,621,864
Approved Developer Fee:	\$1,400,000
Tax Credit Factor:	\$0.95000

Applicant requests and staff recommends annual federal credits of \$1,621,864 and total state credits of \$0, based on a qualified basis of \$19,540,526 and a funding shortfall of \$15,407,708.

### Cost Analysis and Line Item Review

The requested eligible basis \$16,162,552 is below TCAC's threshold basis limit \$16,503,633. The basis limit was increased by the following extraordinary features: projects that are located in regions where development costs frequently exceed the published limit, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Annual operating expenses meet 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 8.30% of the qualified basis, or, in the case of acquisition Credit or Credit combined with federal subsidies, 3.60%. 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:** None

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**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/Annual	State/Total
\$1,621,864	\$0

### Standard Conditions

An application for a carryover allocation must be submitted by October 31, 2007, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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 ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(8) at project completion.

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)(P) at project completion.

**Additional Conditions:**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is February 22, 2008, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst:** Elaine Johnson