

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 First Round

June 9, 2010

REVISED

Project Number CA-2010-086

Project Name Archer Studios
Site Address: 98 Archer Street
San Jose CA 95112 County: Santa Clara
Census Tract: 5051.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$864,894	\$2,882,978
Recommended:	\$864,894	\$2,882,978

Applicant Information

Applicant: 90 Archer, L.P.
Contact: Jonathan Noble
Address: 1400 Parkmoor Avenue, Suite 190
San Jose CA 95126
Phone: (408)550-8310 **Fax:** (408)550-8339
Email: jnoble@charitieshousing.org

General partner(s) or principal owner(s): Archer Charities LLC
General Partner Type: Nonprofit
Developer: Charities Housing
Investor/Consultant: California Housing Partnership Corp.
Management Agent: Charities Housing

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 42
No. & % of Tax Credit Units: 41 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: HOME/MHSA (6 units - 15%)
Average Affordability of Special Needs/SRO Project Units: 35.55%
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 35 %
45% AMI: 60 %

Information

Set-Aside: SRO-Single Room Occupancy
Housing Type: Single Room Occupancy
Geographic Area: South and West Bay Region
TCAC Project Analyst: Benjamin Schwartz

Unit Mix

41 SRO/Studio Units
<u>1 2-Bedroom Units</u>
42 Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 SRO/Studio	30%	15%	\$273
10 SRO/Studio	30%	30%	\$553
25 SRO/Studio	45%	45%	\$833
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$16,226,816	Construction Cost Per Square Foot:	\$179
		Per Unit Cost:	\$386,353

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$6,624,539	City of San Jose	\$5,297,000
City of San Jose	\$5,297,000	County of Santa Clara - MHSA	\$600,000
County of Santa Clara - MHSA	\$600,000	County of Santa Clara - HOME	\$371,157
County of Santa Clara - HOME	\$371,157	FHLB AHP	\$410,000
City of San Jose Accrued Interest	\$207,561	City of San Jose Accrued Interest	\$207,561
County of Santa Clara - HOME (interest)	\$18,287	County of Santa Clara-HOME (interest)	\$18,287
City Fee Waivers	\$497,363	City Fee Waiver	\$497,363
LP Equity	\$1,760,119	Deferred Developer Fee	\$627,471
		Tax Credit Equity	\$8,197,977
		TOTAL	\$16,226,816

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,609,928
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$9,609,928
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$864,894
Total State Credit:	\$2,882,978
Approved Developer Fee in Project Cost	\$1,442,392
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$0.75039
State Tax Credit Factor:	\$0.59241

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:	\$9,609,928
Actual Eligible Basis:	\$11,015,948
Unadjusted Threshold Basis Limit:	\$6,559,089
Total Adjusted Threshold Basis Limit:	\$9,759,928

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects exceeding Title 24 by at least 15%
 - Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units
 - Projects using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board’s Recycled Content Products Database
- Environmental Mitigation

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Single Room Occupancy
Second:	82.471%

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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.

Local Reviewing Agency:

The Local Reviewing Agency, City of San Jose Housing Department, 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
\$864,894	\$2,882,978

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. 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. 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.

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 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)(6) 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) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	41	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of school grounds/facilities open to public with JUA	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
Sustainable Building Methods	8	8	8
LEED/Green Communities/GreenPoint Rated Multifamily Guidelines	8	8	8
Lowest Income	52	62	52
Basic Targeting	50	60	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
State Credit Substitution	2	2	2
Total Points	146	146	146

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.