

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2013

Project Number CA-13-849

Project Name Charlotte Drive Apartments
Site Address: 5600 Cottle Road
San Jose, CA 95123 County: Santa Clara
Census Tract: 5120.330

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,023,645	\$0
Recommended:	\$2,023,645	\$0

Applicant Information

Applicant: Eden Housing, Inc.
Contact: Neil Saxby
Address: 22645 Grand Street
Hayward, CA 94541
Phone: 510-247-8138 Fax: 510-582-0122
Email: nsaxby@edenhousing.org

General Partner(s) or Principal Owner(s): Charlotte Drive Apartments, LLC
General Partner Type: Nonprofit
Developer: Eden Housing, Inc.
Investor/Consultant: Community Economics
Management Agent: Eden Housing Management Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 191
No. & % of Tax Credit Units: 189 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 76
Number of Units @ or below 60% of area median income: 113

Bond Information

Issuer: City of San Jose
 Expected Date of Issuance: December 1, 2013
 Credit Enhancement: Prudential - HUD / FHA Insurance

Information

Housing Type: Non-Targeted
 Geographic Area: South & West Bay Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

49 1-Bedroom Units
 111 2-Bedroom Units
31 3-Bedroom Units
 191 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
18 1 Bedroom	50%	50%	\$950
31 1 Bedroom	60%	60%	\$1,140
43 2 Bedrooms	50%	50%	\$1,140
66 2 Bedrooms	60%	60%	\$1,368
15 3 Bedrooms	50%	50%	\$1,317
16 3 Bedrooms	60%	60%	\$1,581
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,028

Project Financing

Estimated Total Project Cost:	\$57,107,248
Estimated Residential Project Cost:	\$57,107,248

Residential

Construction Cost Per Square Foot:	\$197
Per Unit Cost:	\$298,991

Construction Financing

Source	Amount
Prudential	\$28,635,000
Housing Trust of Silicon Valley	\$500,000
Accrued Ground Lease Interest	\$600,000
Value of Below Market Land Sale	\$5,730,000
Tax Credit Equity	\$18,782,977

Permanent Financing

Source	Amount
Prudential	\$28,635,000
Housing Trust of Silicon Valley	\$500,000
Accrued Ground Lease during const	\$600,000
Value of Below Market Land Sale	\$5,730,000
Deferred Developer Fee	\$972,260
Tax Credit Equity	\$20,669,988
TOTAL	\$57,107,248

Determination of Credit Amount(s)

Requested Eligible Basis:	\$48,645,307
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$63,238,899
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$2,023,645
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.02142

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:	\$48,645,307
Actual Eligible Basis:	\$48,645,307
Unadjusted Threshold Basis Limit:	\$45,300,067
Total Adjusted Threshold Basis Limit:	\$80,181,119

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
 Parking Beneath Residential Units
 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: 40%

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 are below the minimum established as allowed by Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.20% 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: The applicant requested and was granted a waiver for being 6.5% below TCAC operating expense minimums. This request was supported by a letter from Prudential as the primary lender.

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.

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
\$2,023,645	\$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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 125 standard.
- The project will exceed Title 24 Standards for New Construction / Adaptive Reuse by 17.5% of the California Building Code.