CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2016

Courtyard Plaza Apartments, located at 2950 Story Rd. in San Jose, requested and is being recommended for a reservation of $785,790 in annual federal tax credits to finance the acquisition and rehabilitation of 81 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 15 and Assembly District 27.

Courtyard Plaza Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Courtyard Plaza Apartments (CA-2000-865). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-811

Project Name	Courtyard Plaza Apartments		
Site Address:	2950 Story Rd.		
	San Jose, CA 95127	County:	Santa Clara
Census Tract:	5035.100		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$785,790	$0
Recommended:	$785,790	$0

Applicant Information

Applicant:	Courtyard Community Partners, LP		
Contact:	Anand Kannan		
Address:	17782 Sky Park Circle		
	Irvine, CA 92614		
Phone:	949-236-8278	Fax:	714-662-4100
Email:	Akannan@wncinc.com		

General Partner(s) or Principal Owner(s):	Central Valley Coalition for Affordable Housing
	WNC - Courtyard GP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Central Valley Coalition for Affordable Housing
	WNC Development Partners, LLC
Developer:	Community Preservation Partners, LLC
Investor/Consultant:	WNC & Associates
Management Agent:	FPI Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	81
No. & % of Tax Credit Units:	80 100.00%
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: 8

Number of Units @ or below 60% of area median income: 72

Bond Information

Issuer:	California Statewide Community Development Authority
Expected Date of Issuance:	April 1, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Marlene McDonough

Unit Mix

1	SRO/Studio Units
71	1-Bedroom Units
8	2-Bedroom Units
1	3-Bedroom Units
81	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	SRO/Studio	60%	60%	$1,117
39	1 Bedroom	60%	60%	$1,197
25	1 Bedroom	60%	60%	$1,197
7	1 Bedroom	50%	54%	$1,081
7	2 Bedrooms	60%	60%	$1,435
1	2 Bedrooms	50%	54%	$1,297
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,082

Project Cost Summary at Application

Land and Acquisition	$14,870,000
Construction Costs	$0
Rehabilitation Costs	$3,541,804
Construction Contingency	$354,180
Relocation	$75,000
Architectural/Engineering	$107,000
Construction Interest, Perm Financing	$1,723,482
Legal Fees, Appraisals	$147,500
Reserves	$252,000
Other Costs	$295,566
Developer Fee	$2,833,845
Commercial Costs	$0
Total	**$24,200,377**

Project Financing

Estimated Total Project Cost:	$24,200,377
Estimated Residential Project Cost:	$24,200,377

Residential

Construction Cost Per Square Foot:	$67
Per Unit Cost:	$298,770

Construction Financing

Source	Amount
Citibank - TE Bonds	$16,250,000
Seller Carryback Note	$2,370,000
NOI/Capitalized Interest	$1,433,963
Deferred Developer Fee	$2,833,845
Tax Credit Equity	$1,312,569

Permanent Financing

Source	Amount
Citibank - TE Bonds	$11,220,000
Seller Carryback Note	$2,370,000
NOI/Capitalized Interest	$1,433,963
Deferred Developer Fee	$532,724
Tax Credit Equity	$8,643,690
TOTAL	**$24,200,377**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,960,146
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$14,766,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$9,048,190
Qualified Basis (Acquisition):	$14,766,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$298,590
Maximum Annual Federal Credit, Acquisition:	$487,200
Total Maximum Annual Federal Credit:	$785,790
Approved Developer Fee (Project Cost & Eligible Basis):	$2,833,845
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$1.10000

Per Regulation Section 10322(h)(9)(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:	$21,726,146
Actual Eligible Basis:	$21,726,146
Unadjusted Threshold Basis Limit:	$20,987,904
Total Adjusted Threshold Basis Limit:	$23,086,694

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 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 3.30% 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

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires 12/31/2030. The existing regulatory agreement income targeting is 72 units at or below 60% AMI, and 8 units at or below 50% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus received a waiver from setting aside a Short Term Work Capitalized Replacement

The project is a re-syndication that is subject to the hold harmless rent provisions of the federal Housing and Economic Recovery Act of 2008 (HERA). The applicant requested and is approved to underwrite the application at the hold harmless rent limits. The new regulatory agreement shall reflect the current tax credit rent limits, but the project may continue to charge hold harmless HERA rents (specifically for 8 units targeted at 50% AMI but with hold harmless HERA rents currently equal to 54.2% AMI) only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

This project's annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $5,100. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $4,360 on agreement of the permanent lender and equity investor.

Local Reviewing Agency

The Local Reviewing Agency, The housing department of the City of San Jose, 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
$785,790	**$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 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 commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% / 20% / 25% / 30% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The project commits to include photovoltaic (PV) generation that offsets tenant loads.