CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 15, 2019

Markham Plaza I, located at 2000 Monterey Road in San Jose, requested and is being recommended for a reservation of $1,634,997 in annual federal tax credits to finance the acquisition and rehabilitation of 152 units of housing serving tenants with rents affordable to households earning 30-35% of area median income (AMI). The project will be developed by CORE Affordable Housing LLC and is located in Senate District 15 and Assembly District 27.

Markham Plaza I is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Tully Gardens (CA-2001-061). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract and HUD VASH Project-based Vouchers.

Project Number	CA-19-459		
Project Name	Markham Plaza I		
Site Address:	2000 Monterey Road		
	San Jose, CA 95112	County:	Santa Clara
Census Tract:	5031.22		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,634,997	$0
Recommended:	$1,634,997	$0

Applicant Information

Applicant:	Markham Plaza I LP
Contact:	Chris Neale
Address:	470 S. Market St. San Jose, CA 95113
Phone:	(408) 292-7841
Email:	chris@thecorecompanies.com

General Partner(s) or Principal Owner(s):	CORE Markham I, LLC EAH, Inc.
General Partner Type:	Joint Venture
Parent Company(ies):	CORE Affordable Housing LLC EAH, Inc.
Developer:	CORE Affordable Housing LLC
Investor/Consultant:	Enterprise Housing Credit Investments
Management Agent:	EAH, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	153
No. / % of Low Income Units:	152 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (20 units - 13%) / HUD Project-based Vouchers (10 units - 7%) / HUD VASH Project-based Vouchers (10 units - 7%)

Bond Information

Issuer:	City of San Jose
Expected Date of Issuance:	August 31, 2019

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
35% AMI:	152	100%

Unit Mix

150	SRO/Studio Units
3	2-Bedroom Units
153	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20	SRO/Studio	30%	30%	$698
20	SRO/Studio	30%	30%	$698
10	SRO/Studio	30%	30%	$698
26	SRO/Studio	30%	30%	$698
74	SRO/Studio	35%	30%	$698
2	2 Bedrooms	35%	30%	$904
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$26,015,000
Rehabilitation Costs	$8,016,520
Construction Hard Cost Contingency	$2,892,495
Soft Cost Contingency	$295,343
Relocation	$1,501,720
Architectural/Engineering	$730,497
Const. Interest, Perm. Financing	$1,452,483
Legal Fees	$125,000
Reserves	$1,391,231
Other Costs	$1,600,424
Developer Fee	$4,600,000
Commercial Costs	$0
Total	**$48,620,713**

Residential

Construction Cost Per Square Foot:	$125
Per Unit Cost:	$317,782

Construction Financing

Source	Amount
US Bank	$18,000,000
City of San Jose - HOME (assumed)	$4,739,108
Seller Carryback - Series B Bond	$5,000,000
Seller Carryback - Taxable Bond	$11,336,981
Seller Carryback - Assumption [1]	$4,467,904
Existing Reserves	$843,993
Deferred Costs	$2,356,800
Tax Credit Equity	$1,875,927

Permanent Financing

Source	Amount
Santa Clara County	$5,000,000
City of San Jose - HOME (assumed)	$4,739,108
Seller Carryback - Series B Bond	$5,000,000
Seller Carryback - Taxable Bond	$11,336,981
Seller Carryback - Assumption [1]	$4,467,904
Existing Reserves	$843,993
General Partner Equity	$1,600,000
Tax Credit Equity	$15,632,727
TOTAL	**$48,620,713**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

[1] $4,467,904 is assumed debt associated with a $4.86 million City of San Jose deed of trust from the CA-2001-061 allocation.

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$16,382,477
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$28,248,155
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$21,297,220
Qualified Basis (Acquisition):	$28,248,155
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$702,808
Maximum Annual Federal Credit, Acquisition:	$932,189
Total Maximum Annual Federal Credit:	$1,634,997
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,600,000
Investor/Consultant:	Enterprise Housing Credit Investments
Federal Tax Credit Factor:	$0.95613

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$44,630,632
Actual Eligible Basis:	$44,630,632
Unadjusted Threshold Basis Limit:	$43,541,850
Total Adjusted Threshold Basis Limit:	$134,979,735

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

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 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.

Significant Information / Additional Conditions: None

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-061). 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

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2001-061) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff’s review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is being resyndicated concurrently with a Transfer Event without distribution of Net Project Equity, thus waived from requirements under TCAC Regulation Section 10320(b)(4)(B).

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.

CDLAC Additional Conditions: None