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

Palm Court, located at 1200 Lick Avenue in San Jose, requested and is being recommended for a reservation of $826,689 in annual federal tax credits to finance the acquisition and rehabilitation of 65 units of housing serving seniors with rents affordable to households earning 45% of area median income (AMI). The project will be developed by EAH, Inc. and is located in Senate District 15 and Assembly District 27.

Palm Court is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Palm Court Senior Homes (CA-96-117). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-464

Project Name Palm Court
Site Address: 1200 Lick Ave
San Jose, CA 95110 County: Santa Clara
Census Tract: 5031.13

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$826,689	$0
Recommended:	$826,689	$0

Applicant Information

Applicant:	Palm Court San Jose, L.P.
Contact:	Welton Jordan
Address:	22 Pelican Way San Rafael, CA 94901
Phone:	(415) 295-8876
Email:	Welton.Jordan@eahhousing.org

General Partner(s) or Principal Owner(s):	Palm Court San Jose, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	EAH, Inc.
Developer:	EAH, Inc.
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	EAH Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	66
No. / % of Low Income Units:	65 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	City of San Jose
Expected Date of Issuance:	September 1, 2019

Information

Housing Type:	Seniors
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	65	100%

Unit Mix

65	1-Bedroom Units
1	2-Bedroom Units
66	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
65	1 Bedroom	45%	42%	$1,049
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$11,000,000
Rehabilitation Costs	$5,430,933
Construction Hard Cost Contingency	$814,640
Soft Cost Contingency	$262,911
Relocation	$749,344
Architectural/Engineering	$392,593
Const. Interest, Perm. Financing	$1,542,666
Legal Fees	$115,000
Reserves	$225,432
Other Costs	$464,060
Developer Fee	$2,886,113
Commercial Costs	$0
Total	**$23,883,692**

Residential	
Construction Cost Per Square Foot:	$138
Per Unit Cost:	$361,874

Construction Financing

Source	Amount
Union Bank	$16,000,000
City of San Jose (assumed loan)	$4,583,457
Existing Project Reserves	$656,298
Deferred Costs	$876,894
GP Equity	$1,702,691
Tax Credit Equity	$64,352

Permanent Financing

Source	Amount
Union Bank	$3,216,000
City of San Jose (assumed loan)	$4,583,457
Developer Loan	$5,353,237
Existing Project Reserves	$656,298
Income from Operations	$143,279
GP Equity	$1,702,691
Tax Credit Equity	$8,228,730
TOTAL	**$23,883,692**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,747,812
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$12,379,044
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,672,156
Qualified Basis (Acquisition):	$12,379,044
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$418,181
Maximum Annual Federal Credit, Acquisition:	$408,508
Total Maximum Annual Federal Credit:	$826,689
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,866,113
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.99538

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:	$22,126,856
Actual Eligible Basis:	$22,126,856
Unadjusted Threshold Basis Limit:	$21,558,815
Total Adjusted Threshold Basis Limit:	$45,273,512

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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-96-117). 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.

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-96-117) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

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