

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 26, 2008
REVISED

Project Number CA-2008-817

Project Name Charter Court Apartments
Address: 1200 Rancho Way
San Jose, CA 95117 County: 5063.65

Applicant Information

Applicant: Charter Court SJC, L.P. c/o KDF Communities, LLC
Contact Chris Burns
Address: 660 Newport Center Drive, Suite 930
Newport Beach, CA 92660
Phone: (949) 719-1888 **Fax:** (949) 719-1897
Sponsors Type: Joint Venture

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: March 31, 2008
Credit Enhancement: Freddie Mac

Eligible Basis

Actual: \$20,481,185
Requested: \$20,481,185
Maximum Permitted: \$22,483,615

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: Up to 100%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$737,323	\$0
Recommended:	\$737,323	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 94
Total # Residential Buildings: 8

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 93 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 10
Number of Units @ or below 60% of area median income: 83

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 One-Bedroom	50%	\$995
45 One-Bedroom	60%	\$1,194
5 Two-Bedroom	50%	\$1,193
38 Two-Bedroom	60%	\$1,432
1 Two-Bedroom	Manager's Unit	\$1,432

The general partners or principal owners are Charter Court SJC COGP, LLC and Charter Court SJC MGP, LLC.

The project developer is Charter Court SJC COGP, LLC.

The management services will be provided by VPM Management, Inc.

The market analysis was provided by Novogradac & Company, LLP.

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.

Project Financing

Estimated Total Project Cost: \$23,826,811 Per Unit Cost: \$253,477 Construction Cost Per Sq. Foot: \$26

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CSCDA Tax Exempt Bonds	\$15,400,000	CSCDA Tax Exempt Bonds	\$15,400,000
Investor Equity	\$5,363,400	Deferred Developer Fee	\$1,569,710
		Investor Equity	\$6,857,101
		TOTAL	\$23,826,811

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$3,434,399
Requested Acquisition Eligible Basis:	\$17,046,786
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,434,399
Qualified Acquisition Basis:	\$17,046,786
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$123,639
Maximum Annual Federal Acquisition Credit:	\$613,684
Total Maximum Annual Federal Credit:	\$737,323
Approved Developer Fee:	\$2,500,000
Tax Credit Factor:	\$0.9300

Applicant requests and staff recommends annual federal credits of \$737,323, based on a qualified rehabilitation basis of \$3,434,399, a qualified acquisition basis of \$17,046,786, and a funding shortfall of \$6,857,101.

Cost Analysis and Line Item Review

The requested eligible basis \$20,481,185 is below TCAC's adjusted threshold basis limit \$22,483,615. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: 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.

The applicant was granted a waiver on the operating expense minimum pursuant to Regulation section 10327(g)(1).

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$737,323	\$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.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 educational classes 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.

Project Analyst: Anthony Zeto