

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 23, 2009
REVISED

Project Number CA-2009-845

Project Name Kings Crossing
Address: 686 North King Road
San Jose, CA 95133
County: Santa Clara

Applicant Information

Applicant: Kings Crossing, LP
Contact Flaherty Wright
Address: 1400 Parkmoor Avenue, Suite 190
San Jose, CA 95126
Phone: (408) 550-8313
Email: fwright@charitieshousing.org
Sponsors Type: Nonprofit
Fax: (408) 550-8339

Information

Housing Type: Large Family

Bond Information

Issuer: City of San Jose
Expected Date of Issuance: December 23, 2009
Credit Enhancement: N/A

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,730,751	\$0
Recommended:	\$1,730,751	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HOME/HUD Project Based Section 8
HCD MHP Funding: Yes
Total # of Units: 94
Total # Residential Buildings: 1
Federal Setaside Elected: 20%/50%
% & No. of Targeted Units: 100% - 92 units
55-Year Use/Affordability Restriction: Yes

Eligible Basis

Actual: \$38,038,480
Requested: \$38,038,480
Maximum Permitted: \$59,818,215

Adjustments to Threshold Basis Limit:

- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 54%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units that are Income Targeted at 35% AMI or Below: 90%

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 One-bedroom Units	15%	\$294
7 One-bedroom Units	25%	\$494
10 One-bedroom Units	13%	\$254
4 One-bedroom Units	45%	\$894
9 One-bedroom Units	45%	\$894
4 Two-bedroom Units	15%	\$354
7 Two-bedroom Units	25%	\$594
3 Two-bedroom Units	30%	\$714
7 Two-bedroom Units	45%	\$1,069
12 Two-bedroom Units	45%	\$1,069
3 Three-bedroom Units	15%	\$410
5 Three-bedroom Units	25%	\$685
14 Three-bedroom Units	45%	\$1,240
4 Three-bedroom Units	45%	\$1,240
1 One-bedroom Units	Manager's Unit	\$0
1 Two-bedroom Units	Manager's Unit	\$0

The general partner or principal owner is Charities Kings Crossing, LLC.

The project developer is Charities Housing Development Corporation.

The management services will be provided by Charities Housing Development Corporation.

The market analysis was provided by CB Richard Ellis.

The Local Reviewing Agency, the City of San Jose, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$46,085,382 Per Unit Cost: \$490,270 Construction Cost Per Sq. Foot: \$375
 9/22/2009

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$25,380,000	US Bank	\$2,178,400
City of San Jose	\$10,565,700	US Bank – Sect. 8 Increment Loan	\$838,837
County of Santa Clara – HOME	\$350,994	City of San Jose	\$10,565,700
HCD – Infill Infrastructure Grant	\$4,495,840	County of Santa Clara – HOME	\$350,994
Deferred Developer Fee	\$1,300,000	County of Santa Clara – MHSA	\$1,200,000
Investor Equity	\$1,175,795	HCD – Infill Infrastructure Grant	\$4,495,840
TCAC ARRA Award	\$1,838,030	HCD - MHP	\$9,971,950
		FHLB - AHP	\$460,000
		Deferred Developer Fee	\$1,300,000
		Investor Equity	\$12,885,631
		TCAC ARRA Award	\$1,838,030
		TOTAL	\$46,085,382

Determination of Credit Amount(s)

Requested Eligible Basis:	\$38,038,480
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$49,450,024
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$1,730,751
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor Consultant:	CA Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.74451

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 limitation. Annual operating expenses meet/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 3.50% 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: None

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 Tax Credits/Annual	State Tax Credits/Total
\$1,730,751	\$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 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 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.

Project Analyst: Anthony Zeto