

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 First Round

June 9, 2010

Project Number CA-2010-815

Project Name Orvieto Family Apartments
Site Address: 80 Montecito Vista Drive
San Jose CA 95111 County: Santa Clara
Census Tract: 5031.150

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$794,822	\$3,037,732
Recommended:	\$794,822	\$3,037,732

Applicant Information

Applicant: Orvieto Family Apartments, L.P.
Contact: Marcus Griffin
Address: 1650 Lafayette Street
Santa Clara CA 95050
Phone: (408) 984-5600 **Fax:** (408) 984-3111
Email: marcus@roemcorp.com

General partner(s) or principal owner(s): ROEM Development Corporation
Eden Orvieto, LLC (to be admitted)
General Partner Type: Joint Venture
Developer: ROEM Apart. Communities, LLC
Investor/Consultant: AEGON USA Realty Advisors, Inc.
Management Agent: FPI Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 92
No. & % of Tax Credit Units: 91 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: Tax Exempt
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 25 %
45% AMI: 10 %
50% AMI: 40 %

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: South and West Bay
TCAC Project Analyst: Benjamin Schwartz

Unit Mix

31	1-Bedroom Units
31	2-Bedroom Units
<u>30</u>	<u>3-Bedroom Units</u>
92	Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
19 1 Bedroom	50%	50%	\$995
4 1 Bedroom	45%	45%	\$895
8 1 Bedroom	30%	30%	\$597
18 2 Bedrooms	50%	50%	\$1,193
4 2 Bedrooms	45%	45%	\$1,074
8 2 Bedrooms	30%	30%	\$716
18 3 Bedrooms	50%	50%	\$1,379
5 3 Bedrooms	45%	45%	\$1,241
7 3 Bedrooms	30%	30%	\$827
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,100

Project Financing

Estimated Total Project Cost:	\$29,459,489	Construction Cost Per Square Foot:	\$128
		Per Unit Cost:	\$320,212

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Construction Loan (Bonds)	\$14,200,000	Permanent Loan (Bonds)	\$6,810,000
City of San Jose Loan	\$12,592,138	City of San Jose Loan	\$12,592,138
Accrued Interest - City of SJ Loan	\$629,306	Accrued Interest - City of SJ Loan	\$629,306
Interest Income	\$99,551	Interest Income	\$99,551
Deferred Reserve Funding	\$490,308	Lease Up Income	\$359,861
Deferred Developer Fee	\$1,776,225	Deferred Developer Fee	\$1,224,567
Tax Credit Equity	\$4,259,236	Tax Credit Equity	\$7,744,066
		TOTAL	\$29,459,489

Determination of Credit Amount(s)

Requested Eligible Basis:	\$23,377,130
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$23,377,130
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$794,822
Total State Credit:	\$3,037,732
Approved Developer Fee in Project Cost	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	AEGON USA Realty Advisors, Inc.
Federal Tax Credit Factor:	\$0.74500
State Tax Credit Factor:	\$0.60000

Per Regulation Section 10322(i)(4)(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:	\$23,377,130
Actual Eligible Basis:	\$23,377,130
Unadjusted Threshold Basis Limit:	\$24,421,417
Total Adjusted Threshold Basis Limit:	\$61,297,756

Adjustments to Basis Limit:

Parking Beneath Residential Units

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 74%

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

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 3.40% 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: Under "Adjustments to Basis Limit" Prevailing Wages was not included because there was no certification from the architect. Did not effect the projects feasibility.

Local Reviewing Agency:

The Local Reviewing Agency, 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
\$794,822

State Tax Credits/Total
\$3,037,732

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.

The applicant must submit all documentation required for any Readiness 150-Day Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	8	8	8
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
CRI Green-label, low-VOC carpet and pad	1	1	1
Formaldehyde-free insulation	1	1	1
Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
Construction Indoor Air Quality Management plan	2	2	2
Lowest Income	52	55	52
Basic Targeting	50	53	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Total Points	124	127	124

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.