

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2011 First Round
June 22, 2011

Project Number CA-2011-840

Project Name 1st and Rosemary Family Apartments
Site Address: 66 and 80 E. Rosemary Street
San Jose, CA 95112 County: Santa Clara
Census Tract: 5051.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,408,663	\$5,383,463
Recommended:	\$1,408,663	\$5,383,463

Applicant Information

Applicant: 1st and Rosemary Family Housing, L.P.
Contact: Jonathan Emami
Address: 1650 Lafayette Street
Santa Clara, CA 95050
Phone: 408-984-5600 **Fax:** 408-984-3111
Email: jemami@roemcorp.com

General partner(s) or principal owner(s): ROEM Development Corporation
Pinmore HDC, Inc.
General Partner Type: Joint Venture
Developer: ROEM Apartment Communities, LLC
Investor: Alliant Capital, Ltd.
Management Agent: FPI Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 184
No. & % of Tax Credit Units: 182 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 10 %
45% AMI: 25 %
50% AMI: 40 %

Bond Information

Issuer: City of San Jose
Expected Date of Issuance: 09/01/11
Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Non Targeted
 Geographic Area: South & West Bay Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

55 1-Bedroom Units
 97 2-Bedroom Units
 32 3-Bedroom Units

 184 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 1 Bedroom	60%	60%	\$1,164
22 1 Bedroom	50%	50%	\$970
14 1 Bedroom	45%	45%	\$873
6 1 Bedroom	30%	30%	\$582
24 2 Bedrooms	60%	60%	\$1,398
39 2 Bedrooms	50%	50%	\$1,165
24 2 Bedrooms	45%	45%	\$1,048
10 2 Bedrooms	30%	30%	\$699
7 3 Bedrooms	60%	55%	\$1,480
12 3 Bedrooms	50%	50%	\$1,345
8 3 Bedrooms	45%	45%	\$1,211
3 3 Bedrooms	30%	30%	\$807
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,100

Project Financing

Estimated Total Project Cost: \$52,843,073
 Estimated Residential Project Cost: \$52,843,073

Residential

Construction Cost Per Square Foot: \$101
 Per Unit Cost: \$287,191

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$30,700,000
City of San Jose	\$6,300,000
HCD Infill Infrastructure Grant	\$7,883,968
Income From Lease-Up	\$512,232
Deferred Reserve Funding	\$489,823
Deferred Contractor Fees	\$550,000
Deferred Developer Fee	\$1,900,000
Tax Credit Equity	\$4,507,050

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$18,404,000
City of San Jose	\$6,300,000
HCD Infill Infrastructure Grant	\$7,883,968
FHLB - AHP	\$1,000,000
Income From Lease-Up	\$724,721
Deferred Contractor Fees	\$550,000
Deferred Developer Fee	\$1,098,832
Tax Credit Equity	\$16,881,552
TOTAL	\$52,843,073

Determination of Credit Amount(s)

Requested Eligible Basis:	\$41,431,271
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$41,431,271
Applicable Rate:	3.40%
Maximum Annual Federal Credit:	\$1,408,663
Total State Credit:	\$5,383,463
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.95000
State Tax Credit Factor:	\$0.65000

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:	\$41,431,271
Actual Eligible Basis:	\$41,431,271
Unadjusted Threshold Basis Limit:	\$47,136,913
Total Adjusted Threshold Basis Limit:	\$102,563,117

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 119 Units - 65%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 19 Units - 20%

Tie-Breaker Information

Final: N/A

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 *are below* the minimum operating expenses established in the Regulations, a waiver was granted by the Executive Director, 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. 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.

Special Issues/Other Significant Information: None

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, the 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	State Tax Credits/Total
\$1,408,663	\$5,383,463

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 a Carryover Allocation, any Readiness 180-Day Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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.

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
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Large Family proj. w/i ¼ mile of public school project children may attend	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	3	3	3
Develop project to requirements of: GreenPoint Rated Multifamily 100	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Total Points	126	116	116

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.