

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
March 13, 2013**

**Project Number** CA-13-809

**Project Name** Orvieto B  
Site Address: Southeast Corner of Montecito Vista Drive and Montecito Vista Way  
San Jose, CA 95111 County: Santa Clara  
Census Tract: 5031.150

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,041,201	\$0
Recommended:	\$1,041,201	\$0

**Applicant Information**

Applicant: ROEM Development Corporation  
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  
Pacific Housing, Inc.  
General Partner Type: Joint Venture  
Developer: ROEM Development Corporation  
Investor/Consultant: AEGON  
Management Agent: FPI Management, Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 106  
No. & % of Tax Credit Units: 105 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 11  
Number of Units @ or below 60% of area median income: 94

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: April 1, 2013  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: South & West Bay Region  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

24 1-Bedroom Units  
 82 2-Bedroom Units  


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 106 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
21 1 Bedroom	60%	60%	\$1,181
3 1 Bedroom	50%	50%	\$984
73 2 Bedrooms	60%	60%	\$1,417
8 2 Bedrooms	50%	50%	\$1,181
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$31,343,964  
 Estimated Residential Project Cost: \$31,343,964

**Residential**

Construction Cost Per Square Foot: \$102  
 Per Unit Cost: \$295,698

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank	\$24,000,000
Seller Carry Note	\$2,000,000
Seller Carry Note Accrued Interest	\$120,000
Lease-Up Income	\$431,726
Deferred Reserve Funding	\$349,997
Deferred Developer Fee	\$2,479,106
Tax Credit Equity	\$1,963,136

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citibank	\$16,031,856
Seller Carry Note	\$2,000,000
Seller Carry Note Accrued Interest	\$120,000
Lease Up Income	\$580,082
Deferred Developer Fee	\$2,292,787
Tax Credit Equity	\$10,319,239
<b>TOTAL</b>	<b>\$31,343,964</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$25,058,932
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$32,576,612
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$1,041,201
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	AEGON
Federal Tax Credit Factor:	\$0.99109

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:	\$25,058,932
Actual Eligible Basis:	\$25,058,932
Unadjusted Threshold Basis Limit:	\$25,351,720
Total Adjusted Threshold Basis Limit:	\$32,725,970

**Adjustments to Basis Limit:**

- Parking Beneath Residential Units
- 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: 10%

**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 as allowed under regulation section 10327(g)(1), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.20% 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:** The project's estimated operating expenses at \$4,335 are 15% below the TCAC operating expense minimum of \$5,000 per unit as permitted under regulation section 10327(g)(1) on concurrence by the equity investor and the permanent lender.

**Local Reviewing Agency:**

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.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,041,201</b>	<b>\$0</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.

**Additional Conditions:** The applicant/owner is required to provide the tenants with the following service amenities 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:

- After school program
- Educational classes

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under any one of the following programs:  
Leadership in Energy & Environmental Design (LEED)
- The project is a new construction or adaptive reuse project that exceeds Title 24 Energy Standards by at least 17.5%