

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
May 21, 2014**

**Project Number** CA-14-851

**Project Name** Lexington Avenue Family Apartments  
Site Address: NW of Lexington Avenue and Great Oaks Parkway  
San Jose, CA 95112 County: Santa Clara  
Census Tract: 5120.330

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,083,461	\$0
Recommended:	\$1,083,461	\$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  
Parent Company(ies): ROEM Development Corporation  
Pacific Housing, Inc.  
Developer: ROEM Development Corporation  
Investor/Consultant: Alliant Capital, Ltd.  
Management Agent: FPI Management, Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 134  
No. & % of Tax Credit Units: 133 100.00%  
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: 14  
Number of Units @ or below 60% of area median income: 119

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: July 1, 2014  
 Credit Enhancement: None

**Information**

Housing Type: Large Family  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

74 1-Bedroom Units  
 59 2-Bedroom Units  
 1 3-Bedroom Units  


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 134 Total Units

<b>Unit Type &amp; Number</b>	<b>2014 Rents Targeted % of Area Median Income</b>	<b>2014 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
44 1 Bedroom	60%	60%	\$1,147
23 1 Bedroom	60%	50%	\$956
7 1 Bedroom	50%	50%	\$956
36 2 Bedrooms	60%	60%	\$1,377
16 2 Bedrooms	60%	50%	\$1,147
7 2 Bedrooms	50%	50%	\$1,147
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$37,980,359  
 Estimated Residential Project Cost: \$37,980,359

**Residential**

Construction Cost Per Square Foot: \$237  
 Per Unit Cost: \$283,436

**Construction Financing**

**Permanent Financing**

<b>Source</b>	<b>Amount</b>	<b>Source</b>	<b>Amount</b>
Citibank, N.A.	\$25,000,000	Citibank, N.A.	\$15,985,000
Donated Land Value	\$4,825,397	Donated Land Value	\$4,825,397
Lease Up Income	\$1,103,257	Lease Up Income	\$1,103,257
Deferred Reserve Funding	\$390,751	Deferred Contractor Fee	\$818,304
Deferred Contractor Fee	\$818,304	Deferred Developer Fee	\$2,413,835
Deferred Developer Fee	\$2,499,900	Developer Equity	\$2,000,000
Developer Equity	\$2,000,000	Tax Credit Equity	\$10,834,566
Tax Credit Equity	\$1,342,750	<b>TOTAL</b>	<b>\$37,980,359</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$32,248,945
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$32,248,945
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$1,083,461
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$1.00000

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:	\$32,248,945
Actual Eligible Basis:	\$32,248,945
Unadjusted Threshold Basis Limit:	\$35,125,574
Total Adjusted Threshold Basis Limit:	\$39,185,933

**Adjustments to Basis Limit:**

Local Development Impact Fees  
 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 as allowed by the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.36% 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 annual per unit operating expenses, in the amount of \$4,505, are slightly below the TCAC published minimum of \$5,100. Upon agreement of the equity investor and the permanent lender, the proposed annual per unit operating expense amount of \$4,505 may be utilized for underwriting as allowed by TCAC Regulations Section 10327(g)(1).

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,083,461</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 on-site
- Instructor-led educational classes, health and wellness or skill-building classes on-site

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); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes SILVER standard.