

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
August 6, 2024**

Monterey Family Apartments, located at 6730, 6630, 6680 Monterey Road in Gilroy on a 2.86 acre site, requested and is being recommended for a reservation of \$2,661,199 in annual federal tax credits and \$15,209,048 in total state tax credits and \$28,570,598 of tax-exempt bond cap to finance the new construction of 94 units of housing, consisting of 93 restricted rental units, and 1 unrestricted manager's unit. The project will have 59 two-bedroom units, and 35 three-bedroom units, serving families with rents affordable to households earning 30%-70% of area median income (AMI). Monterey Family Apartments will consist of four 3-story buildings with a total of 94 units. It will be a Type V construction with slab-on-grade foundation, wood frame, exterior types will be stucco finish with multiple colors. Common amenities include community room, common areas, laundry, recreational areas, tot-lot, leasing office, exercise room, bicycle storage, playground, picnic area, and computer room. Each unit will have a storage closet, coat closet, central heat and cooling, patio or balcony, refrigerator, stove and oven, dishwasher, and garbage disposal. The construction is expected to begin in February 2025 and be completed in December 2026. The project will be developed by ROEM Development Corporation and will be located in Senate District 17 and Assembly District 30.

The project financing includes state funding from the Mixed-Income Program (MIP) through CalHFA.

Project Number CA-24-492

Project Name Monterey Family Apartments
Site Address: 6730, 6630, 6680 Monterey Road
Gilroy, CA 95020
County: Santa Clara
Census Tract: 5126.03

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,661,199	\$15,209,048
Recommended:	\$2,661,199	\$15,209,048

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Tax-Exempt Bond Allocation
Recommended: \$28,570,598

CTCAC Applicant Information
CTCAC Applicant / CDLAC Sponsor: ROEM West, LLC
Applicant for State Credits: PACH San Jose Holdings, LLC
Contact: Lucky Bhardwaj
Address: 1650 Lafayette Street
Santa Clara, CA 95050
Phone: 408-984-5600
Email: lbhardwaj@roemcorp.com

Bond Financing Information
CDLAC Applicant/Bond Issuer: California Housing Finance Agency
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citi Community Capital

Development Team

General Partner(s) or Principal Owner(s): PACH San Jose Holdings, LLC
 Monterey Family Apartments, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Pacific Housing Inc.
 ROEM West, LLC
 Developer: ROEM Development Corporation
 Investor/Consultant: R4 Capital LLC
 Management Agent: FPI Management Inc

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 94
 No. / % of Low Income Units: 93 100.00%
 Average Targeted Affordability: 55.70%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family
 Geographic Area: South and West Bay Region
 State Ceiling Pool: New Construction
 Set Aside: Mixed Income Set Aside
 CDLAC Project Analyst: Brandon Medina
 CTCAC Project Analyst: Dylan Hervey

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	10	11%
50% AMI:	20	22%
60% AMI:	53	57%
70% AMI*:	10	11%

*CTCAC restricted only

Unit Mix

59 2-Bedroom Units
 35 3-Bedroom Units

 94 Total Units

Unit Type & Number	2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
6 2 Bedrooms	30%	\$1,204
12 2 Bedrooms	50%	\$2,007
35 2 Bedrooms	60%	\$2,408
6 2 Bedrooms	70%	\$2,810
4 3 Bedrooms	30%	\$1,391
8 3 Bedrooms	50%	\$2,319
18 3 Bedrooms	60%	\$2,783
4 3 Bedrooms	70%	\$3,247
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,025,000
Construction Costs	\$30,592,875
Construction Hard Cost Contingency	\$2,865,066
Soft Cost Contingency	\$449,180
Architectural/Engineering	\$2,000,000
Const. Interest, Perm. Financing	\$6,214,920
Legal Fees	\$310,000
Reserves	\$716,899
Other Costs	\$4,642,660
Developer Fee	\$6,651,624
Total	\$59,468,224

Residential

Construction Cost Per Square Foot:	\$353
Per Unit Cost:	\$632,641
Estimated Hard Per Unit Cost:	\$283,129
True Cash Per Unit Cost*:	\$586,378
Bond Allocation Per Unit:	\$303,943
Bond Allocation Per Restricted Rental Unit:	\$344,224

Construction Financing

Source	Amount
Citibank: Tax-Exempt	\$28,570,598
Citibank: Taxable	\$9,289,490
Citibank: Recycled Tax-Exempt	\$3,500,000
Net Operating Income	\$237,792
Deferred Costs	\$7,348,524
Tax Credit Equity	\$10,521,820

Permanent Financing

Source	Amount
CalHFA: Tax-Exempt	\$18,309,000
CalHFA: MIP	\$1,500,000
Net Operating Income	\$237,792
Deferred Developer Fee	\$4,348,698
Tax Credit Equity	\$35,072,734
TOTAL	\$59,468,224

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$51,176,901
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$66,529,971
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,661,199
Total State Credit:	\$15,209,048
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,651,624
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$0.81500
State Tax Credit Factor:	\$0.88000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

CTCAC Significant Information / Additional Conditions: None.

CDLAC Analyst Comments

None

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	119

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 81.619%