

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 23, 2009

Project Number CA-2009-838

Project Name Brookwood Terrace Family Apartments
Address: 1338-1350 East San Antonio Street
San Jose, CA 95116 County: Santa Clara

Applicant Information

Applicant: Brookwood Terrace Family Apartments, L.P.
Contact Marcus Griffin
Address: 1650 Lafayette Street
Santa Clara, CA 95050
Phone: (408) 984-5600 x27 **Fax:** (408) 984-3111
Email: marcus@roemcorp.com
Sponsors Type: Joint Venture

Information

Housing Type: Large Family

Bond Information

Issuer: City of San Jose
Expected Date of Issuance: September 1, 2009
Credit Enhancement: PNC Multifamily Capital

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,037,479	\$0
Recommended:	\$1,037,479	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 84
Total # Residential Buildings: 1
Federal Setaside Elected: 20%/50%
% & No. of Targeted Units: 100% - 83 units
55-Year Use/Affordability Restriction: Yes

Eligible Basis

Actual: \$22,801,747
Requested: \$22,801,747
Maximum Permitted: \$57,306,554

Adjustments to Threshold Basis Limit:

- Required to Pay Prevailing Wages
- 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 that are Income Targeted Between 50% AMI & 36% AMI: 74%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units that are Income Targeted at 35% AMI or Below: 50%

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 One-bedroom Units	50%	\$995
3 One-bedroom Units	45%	\$895
4 One-bedroom Units	30%	\$597
29 Two-bedroom Units	50%	\$1,193
8 Two-bedroom Units	45%	\$1,074
13 Two-bedroom Units	30%	\$716
9 Three-bedroom Units	50%	\$1,379
2 Three-bedroom Units	45%	\$1,241
4 Three-bedroom Units	30%	\$827
1 Two-bedroom Units	Manager's Unit	\$1,100

The general partners or principal owners are Pacific Housing, Inc. and ROEM Development Corporation.

The project developer is ROEM Development Corporation.

The management services will be provided by FPI Management, Inc.

The market analysis was provided by The Concord Group.

The Local Reviewing Agency, the City of San Jose, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$29,171,346 Per Unit Cost: \$347,278 Construction Cost Per Sq. Foot: \$211
9/22/2009

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JP Morgan Chase Bank	\$13,600,000	Citi Community Capital	\$7,430,000
City of San Jose	\$11,825,877	City of San Jose	\$11,825,877
Lease Up Income	\$319,785	FHLB of S.F. - AHP	\$415,000
Interest Income	\$257,363	Lease Up Income	\$376,600
Deferred Developer Fee	\$2,200,000	Interest Income	\$257,363
Investor Equity	\$968,321	Deferred Developer Fee	\$1,292,906
		Investor Equity	\$7,573,600
		TOTAL	\$29,171,346

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,801,747
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$29,642,271
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$1,037,479
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor:	Hudson Housing Capital LLC
Federal Tax Credit Factor:	\$0.73000

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 limitation. Annual operating expenses are below the minimum operating expenses established in the Regulations (see “Special Issues/Other Significant Information” section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.50% 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: This project’s operating expense minimum has been reduced by 15% from the TCAC published minimums to \$3,910 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor.

Recommendation: Staff recommends that the Committee make a 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
\$1,037,479	\$0

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 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 (1) after school programs of an ongoing nature and (2) educational classes 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.

Project Analyst: Anthony Zeto