

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**February 1, 2012**

**Project Number** CA-2012-807

**Project Name** 1st and Rosemary Senior Apartments  
 Site Address: 34 E. Rosemary Street  
 San Jose, CA 95112 County: Santa Clara  
 Census Tract: 5051.000

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
|---------------------------|-----------------------|--------------------|
| Requested:                | \$984,586             | \$0                |
| Recommended:              | \$984,586             | \$0                |

**Applicant Information**

Applicant: 1st and Rosemary Senior 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 1st and Rosemary Senior Housing, LLC  
 Pacific Housing, Inc.  
 General Partner Type: Joint Venture  
 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: 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: City of San Jose  
 Expected Date of Issuance: March 1, 2011  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

105 1-Bedroom Units  
1 2-Bedroom Units  
 106 Total Units

| <b>Unit Type &amp; Number</b> | <b>2011 Rents Targeted<br/>% of Area Median<br/>Income</b> | <b>2011 Rents Actual<br/>% of Area Median<br/>Income</b> | <b>Proposed<br/>Rent<br/>(including<br/>utilities)</b> |
|-------------------------------|--|--|--|
| 67 1 Bedroom                  | 60%  | 50%  | \$971  |
| 27 1 Bedroom                  | 60%  | 45%  | \$874  |
| 11 1 Bedroom                  | 50%  | 30%  | \$583  |
| 1 2 Bedrooms                  | Manager's Unit   | Manager's Unit   | \$1,100  |

**Project Financing**

Estimated Total Project Cost: \$28,173,301  
 Estimated Residential Project Cost: \$28,173,301

**Residential**

Construction Cost Per Square Foot: \$122  
 Per Unit Cost: \$265,786

**Construction Financing**

**Permanent Financing**

| Source                                | Amount       |
|---------------------------------------|--------------|
| Citibank, N.A. (Construction Loan)    | \$15,500,000 |
| City of San Jose Loan                 | \$3,611,111  |
| HCD CA ( Infill Infrastructure Grant) | \$4,499,004  |
| Deferred Reserve Funding              | \$237,817    |
| Lease Up Income                       | \$153,644    |
| Deferred Developer Fee                | \$2,500,000  |
| Tax Credit Equity                     | \$1,671,725  |

| Source                               | Amount              |
|--------------------------------------|---------------------|
| Citibank, N.A. (Permanent Loan)      | \$7,072,000         |
| City of San Jose Loan                | \$3,611,111         |
| HCD CA (Infill Infrastructure Grant) | \$4,499,004         |
| FHLB - SF AHP Grant                  | \$1,000,000         |
| Lease Up Income                      | \$158,339           |
| Deferred Developer Fee               | \$2,479,284         |
| Tax Credit Equity                    | \$9,353,563         |
| <b>TOTAL</b>                         | <b>\$28,173,301</b> |

**Determination of Credit Amount(s)**

|  |                       |
|--|-----------------------|
| Requested Eligible Basis:                                  | \$22,277,926          |
| 130% High Cost Adjustment:                                 | Yes                   |
| Applicable Fraction:                                       | 100.00%               |
| Qualified Basis:   | \$28,961,304          |
| Applicable Rate:   | 3.20%                 |
| Total Maximum Annual Federal Credit:                       | \$984,586             |
| Total State Credit:  | \$0                   |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,500,000           |
| Investor/Consultant:                                       | Alliant Capital, Ltd. |
| Federal Tax Credit Factor:                                 | \$0.95000             |

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:  | \$22,277,926 |
| Actual Eligible Basis:                | \$22,277,926 |
| Unadjusted Threshold Basis Limit:     | \$22,609,935 |
| Total Adjusted Threshold Basis Limit: | \$33,979,455 |

**Adjustments to 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 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 meet the minimum operating expenses established in the Regulations, 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:** None

**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>\$984,586</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 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 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:

- 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 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 is a New Construction or Adaptive Reuse Project that exceeds Title 24 Energy Standards by at least 10%, or a Rehabilitation Project not subject to Title 24, that reduces energy use on a per square foot basis by 25% as calculated using a methodology approved by the California Energy Commission
- The Project will incorporate the following energy efficient items:
  - \* Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less)
  - \* At least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit
  - \* Formaldehyde-free insulation