

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 14, 2011**

Project Number CA-2011-937

Project Name Canyon Crest Family Apartments
Site Address: 3033 East Platt Ave
Fresno, CA 93721 County: Fresno
Census Tract: 5.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$425,784	\$0
Recommended:	\$425,784	\$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): Pacific Housing, Inc.
ROEM Development Corporation
General Partner Type: Joint Venture
Developer: ROEM Development Corporation
Investor/Consultant: Alliant Capital, Ltd.
Management Agent: FPI Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 17
Total # of Units: 118
No. & % of Tax Credit Units: 117 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / NSP
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 71
Number of Units @ or below 60% of area median income: 46

Bond Information

Issuer: CSCDA
Expected Date of Issuance: January 13, 2012
Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: Central Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

86 1-Bedroom Units
 32 2-Bedroom Units

 118 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
34 1 Bedroom	60%	60%	\$644
52 1 Bedroom	50%	50%	\$536
12 2 Bedrooms	60%	60%	\$772
19 2 Bedrooms	50%	50%	\$643
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$12,038,431
 Estimated Residential Project Cost: \$12,038,431

Residential

Construction Cost Per Square Foot: \$37
 Per Unit Cost: \$102,021

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$6,180,000	Citibank, N.A.	\$4,404,678
NSP Funds	\$2,772,253	NSP Funds	\$2,772,253
Lease Up Income	\$269,918	Lease Up Income	\$269,918
Deferred Reserve Funding	\$181,390	Deferred Developer Fee	\$633,920
Deferred Developer Fee	\$1,407,995	Tax Credit Equity	\$3,957,662
Tax Credit Equity	\$1,226,875	TOTAL	\$12,038,431

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$5,538,530
 130% High Cost Adjustment: Yes
 Requested Eligible Basis (Acquisition): \$5,382,000
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$7,200,089
 Applicable Rate: 3.40%
 Qualified Basis (Acquisition): \$5,382,000
 Applicable Rate: 3.40%
 Maximum Annual Federal Credit, Rehabilitation: \$242,796
 Maximum Annual Federal Credit, Acquisition: \$182,988
 Total Maximum Annual Federal Credit: \$425,784
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,424,417
 Investor/Consultant: Alliant Capital, Ltd.
 Federal Tax Credit Factor: \$0.92950

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:	\$10,920,530
Actual Eligible Basis:	\$10,920,530
Unadjusted Threshold Basis Limit:	\$20,989,358
Total Adjusted Threshold Basis Limit:	\$33,582,973

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 60%

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 3.40% 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 applicant’s estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

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:

Federal Tax Credits/Annual
\$425,784

State Tax Credits/Total
\$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 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:

- After school program
- Educational classes
- Bona fide service coordinator