

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2014 First Round

June 11, 2014

Project Number CA-14-074

Project Name South Street Apartments
Site Address: 313 South Street
San Luis Obispo, CA 93401 County: San Luis Obispo
Census Tract: 111.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$418,442	\$1,629,514
Recommended:	\$418,442	\$1,629,514

Applicant Information

Applicant: South Street Family Apartments, 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) / Principal Owner(s): To Be Formed LLC
SLO Non-Profit Housing Corporation
General Partner Type: Joint Venture
Parent Company(ies): ROEM Development Corporation
SLO Non-Profit Housing Corporation
Developer: ROEM Development Corporation
Investor/Consultant: Alliant Capital, Ltd.
Management Agent(s): FPI Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 43
No. & % of Tax Credit Units: 42 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME / CDBG / HUD Section 8 Project-Based Vouchers (8 units - 19%)
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 5 10 %
45% AMI: 11 25 %
50% AMI: 17 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

4 1-Bedroom Units
 24 2-Bedroom Units
 15 3-Bedroom Units

 43 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	60%	60%	\$846
1 1 Bedroom	50%	50%	\$705
2 1 Bedroom	45%	45%	\$635
6 2 Bedrooms	60%	60%	\$1,015
9 2 Bedrooms	50%	50%	\$846
5 2 Bedrooms	45%	45%	\$761
3 2 Bedrooms	30%	30%	\$507
2 3 Bedrooms	60%	60%	\$1,173
3 3 Bedrooms	50%	50%	\$978
4 3 Bedrooms	50%	50%	\$978
4 3 Bedrooms	45%	45%	\$880
2 3 Bedrooms	30%	30%	\$586
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$13,214,002
 Estimated Residential Project Cost: \$13,214,002

Residential

Construction Cost Per Square Foot: \$163
 Per Unit Cost: \$307,302

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$7,060,000
City of San Luis Obispo Loan	\$2,808,503
Lease-Up Income	\$151,078
HASLO Loan	\$1,080,000
Deferred Developer Fee	\$1,228,884
Tax Credit Equity	\$885,538

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$2,318,189
Tranche B Loan	\$1,343,540
City of San Luis Obispo Loan	\$2,808,503
Lease-Up Income	\$157,548
HASLO Loan	\$1,080,000
SLO Housing Trust Loan	\$430,000
Tax Credit Equity	\$5,076,222
TOTAL	\$13,214,002

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,434,306
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$5,434,306
Applicable Rate:	7.70%
Total Maximum Annual Federal Credit:	\$418,442
Total State Credit:	\$1,629,514
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,328,884
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.96000
State Tax Credit Factor:	\$0.65000

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:	\$5,434,306
Actual Eligible Basis:	\$10,188,110
Unadjusted Threshold Basis Limit:	\$11,052,200
Total Adjusted Threshold Basis Limit:	\$11,841,469

Adjustments to Basis Limit:

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	60.015%

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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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 the 3-month operating reserve shown in the application development budget is slightly below TCAC's minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, City of San Luis Obispo, 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:

Federal Tax Credits/Annual
\$418,442

State Tax Credits/Total
\$1,629,514

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within ¾ mile of public elementary school project children may attend	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.