

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

January 16, 2019

353 Main Street Family Apartments, located at 353 Main Street in Redwood City, requested and is being recommended for a reservation of \$2,763,433 in annual federal tax credits to finance the new construction of 124 units of housing serving tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by ROEM Development Corporation and will be located in Senate District 13 and Assembly District 22.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-19-402

Project Name 353 Main Street Family Apartments
Site Address: 353 Main Street
Redwood City, CA 94063 County: San Mateo
Census Tract: 6102.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,763,433	\$0
Recommended:	\$2,763,433	\$0

Applicant Information

Applicant: ROEM Development Corporation
Contact: Lucky Bhardwaj
Address: 1650 Lafayette Street
Santa Clara, CA 95050
Phone: (415) 205-6779
Email: lbhardwaj@roemcorp.com

General Partner(s) or Principal Owner(s): Pacific Housing, Inc.
ROEM GP Entity, LLC

General Partner Type: Joint Venture

Parent Company(ies): Pacific Housing, Inc.
ROEM Development Corporation

Developer: ROEM Development Corporation

Investor/Consultant: Aegon USA Realty Advisors, LLC

Management Agent: FPI Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 125
 No. / % of Low Income Units: 124 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (115 Units - 93%)

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: April 1, 2019

Information

Housing Type: Non-Targeted
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 63	51%
At or Below 80% AMI: 61	49%

Unit Mix

15 SRO/Studio Units
 57 1-Bedroom Units
53 2-Bedroom Units
 125 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 SRO/Studio	30%	30%	\$770
1 SRO/Studio	80%	80%	\$2,053
25 1 Bedroom	30%	30%	\$825
32 1 Bedroom	80%	80%	\$2,200
24 2 Bedrooms	30%	30%	\$990
28 2 Bedrooms	80%	80%	\$2,640
5 SRO/Studio	30%	30%	\$770
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$150,854,880

Project Cost Summary at Application

Land and Acquisition	\$18,125,000
Construction Costs	\$46,911,777
Rehabilitation Costs	\$0
Construction Contingency	\$1,578,507
Relocation	\$0
Architectural/Engineering	\$1,200,000
Const. Interest, Perm. Financing	\$7,133,968
Legal Fees, Appraisals	\$284,500
Reserves	\$875,057
Other Costs	\$3,086,425
Developer Fee	\$8,479,128
Commercial Costs	\$0
Total	\$87,674,362

Residential

Construction Cost Per Square Foot:	\$436
Per Unit Cost:	\$701,395
True Cash Per Unit Cost*:	\$634,380

Construction Financing

Source	Amount
Citibank N.A. - T.E. Bonds	\$53,247,500
San Mateo County Loan	\$7,000,000
HEART of San Mateo County**	\$3,500,000
Operating Income	\$927,377
Developer Loan	\$4,832,554
Deferred Reserves	\$875,057
Deferred Developer Fee	\$8,401,843
Tax Credit Equity	\$8,890,031

Permanent Financing

Source	Amount
Citibank N.A. - T.E. Bonds	\$40,113,000
San Mateo County Loan	\$7,000,000
HEART of San Mateo County**	\$3,500,000
Operating Income	\$927,377
Developer Loan	\$2,059,759
Deferred Developer Fee	\$8,376,870
Tax Credit Equity	\$25,697,356
TOTAL	\$87,674,362

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

**Housing Endowment & Regional Trust of San Mateo County Loan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$65,006,654
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$84,508,650
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$2,763,433
Approved Developer Fee (in Project Cost & Eligible Basis):	\$8,479,128
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	\$0.92991

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$65,006,654
Actual Eligible Basis:	\$65,006,654
Unadjusted Threshold Basis Limit:	\$51,077,480
Total Adjusted Threshold Basis Limit:	\$122,207,619

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 100%

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 exceed 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 3.27% 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.

Significant Information / Additional Conditions

Development costs are approximately \$634,380 per unit. The factors affecting this cost include high real estate costs for the area and prevailing wage requirements. In addition, the applicant will develop the project with underground parking due to its shape and size limitations.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency

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

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 a reservation 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.

CDLAC Additional Conditions: None