CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Grand & Linden Family Apartments, located at 201 Grand Avenue and 418 Linden Avenue in South San Francisco, requested and is being recommended for a reservation of $2,785,123 in annual federal tax credits to finance the new construction of 82 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-20-501

Project Name Grand & Linden Family Apartments
Site Address: 201 Grand Avenue and 418 Linden Avenue
South San Francisco, CA 94080 County: San Mateo
Census Tract: 6022.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,785,123	$0
Recommended:	$2,785,123	$0

Applicant Information

Applicant:	ROEM Development Corporation
Contact:	Brett Granum
Address:	1650 Lafayette Street Santa Clara, CA 95050
Phone:	(408) 984-5600
Email:	bgranum@roemcorp.com

General Partner(s) or Principal Owner(s):	Pacific Housing, Inc. Grand and Linden Family Apartments, 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
Management Agent:	FPI Management, Inc.

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	2	
Total # of Units:	84	
No. / % of Low Income Units:	82	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (52 units - 63%)	

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	May 15, 2020

Information

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

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	29	35%
50% AMI:	6	7%
60% AMI:	7	9%
80% AMI:	40	49%

Unit Mix

8	SRO/Studio Units
38	1-Bedroom Units
34	2-Bedroom Units
4	3-Bedroom Units
84	Total Units

	Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	SRO/Studio	50%	50%	$1,411
2	SRO/Studio	60%	60%	$1,693
14	1 Bedroom	30%	30%	$907
5	1 Bedroom	60%	60%	$1,813
5	1 Bedroom	80%	80%	$2,418
14	1 Bedroom	80%	80%	$2,418
13	2 Bedrooms	30%	30%	$1,088
10	2 Bedrooms	80%	80%	$2,901
10	2 Bedrooms	80%	80%	$2,901
2	3 Bedrooms	30%	30%	$1,257
1	3 Bedrooms	80%	80%	$3,352
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$2,312,095
Construction Costs	$49,028,926
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$4,217,918
Soft Cost Contingency	$234,090
Relocation	$0
Architectural/Engineering	$1,348,722
Const. Interest, Perm. Financing	$4,980,679
Legal Fees	$279,860
Reserves	$792,948
Other Costs	$1,527,400
Developer Fee	$8,788,418
Commercial Costs	$2,444,474
Total	**$75,955,530**

Residential	
Construction Cost Per Square Foot:	$581
Per Unit Cost:	$875,132
True Cash Per Unit Cost*:	$791,319

Construction Financing	
Source	Amount
Citibank - T.E. Bonds	$36,365,000
Citibank	$13,202,148
City of South San Francisco	$3,500,000
County of San Mateo	$2,500,000
Operating Income	$246,684
Deferred Reserves	$823,096
Deferred Developer Fee	$8,768,419
Tax Credit Equity	$10,550,183

Permanent Financing	
Source	Amount
Citibank - T.E. Bonds	$36,059,000
City of South San Francisco	$3,500,000
County of San Mateo	$2,500,000
Operating Income	$246,684
Deferred Developer Fee	$7,274,388
Tax Credit Equity	$26,375,458
TOTAL	**$75,955,530**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$67,377,872
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$87,591,234
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$2,785,123
Approved Developer Fee (in Project Cost & Eligible Basis):	$8,788,418
Investor/Consultant:	Aegon USA Realty Advisors
Federal Tax Credit Factor:	$0.94701

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:	$67,377,872
Actual Eligible Basis:	$67,377,872
Unadjusted Threshold Basis Limit:	$35,132,040
Total Adjusted Threshold Basis Limit:	$77,173,027

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 – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 7%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 72%

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 or 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 3.24% 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

The reservation of tax credits is contingent upon verification by HUD of the rental subsidy contract rent amounts within 180 days of the date of reservation.

Staff noted a per unit cost of $791,319. The applicant indicated the cost of constructing in San Mateo County and South San Francisco, and the following factors that increased the per unit cost: underground mechanical parking, prevailing wage requirements, the city's entitlement requirements related to pre-existing market-rate finishes, and decreased economies of scale due to scattered sites.

This project is a new construction scattered site project consisting of 84 units in 2 buildings. Each site will include one on-site manager unit.

The applicant omitted impact fee costs of $91,788 in the application development budget. Pursuant to TCAC Regulations 10327(a), the shortage of sources for impact fee costs is within the limit allowed by TCAC to be deemed an application error which shall be covered by the project's contingency line item. The applicant must fix this error in the placed in service submission.

Resyndication and Resyndication Transfer Event: None

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.