CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 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 $3,055,235 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-20-588

Project Name Grand & Linden Family Apartments

Site Address:	201 Grand Avenue South San Francisco, CA 94080	418 Linden Avenue South San Francisco, CA 94080
Census Tract:	6022.00	
County:	San Mateo	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,055,235	$0
Recommended:	$3,055,235	$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):	PACH Affordable Holdings, LLC 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% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (55 units - 67%)

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	September 30, 2020

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	29	35%
50% AMI:	13	16%
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		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	SRO/Studio	50%	46%	$1,411
2	SRO/Studio	50%	46%	$1,411
14	1 Bedroom	30%	28%	$907
5	1 Bedroom	50%	46%	$1,511
4	1 Bedroom	80%	74%	$2,418
15	1 Bedroom	80%	74%	$2,418
14	2 Bedrooms	30%	28%	$1,088
13	2 Bedrooms	80%	74%	$2,901
6	2 Bedrooms	80%	74%	$2,901
1	3 Bedrooms	30%	28%	$1,257
2	3 Bedrooms	80%	74%	$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	$1,836,699
Construction Costs	$53,469,335
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$4,593,842
Soft Cost Contingency	$249,413
Relocation	$0
Architectural/Engineering	$1,353,357
Const. Interest, Perm. Financing	$5,627,763
Legal Fees	$280,821
Reserves	$793,754
Other Costs	$1,534,517
Developer Fee	$8,627,819
Commercial Costs	$2,388,489
Total	**$80,755,809**

Residential

Construction Cost Per Square Foot:	$634
Per Unit Cost:	$932,944
True Cash Per Unit Cost*:	$845,239

Construction Financing

Source	Amount
Citibank - Tax Exempt	$41,915,000
Citibank - Taxable Tail	$12,994,920
City of South San Francisco	$3,500,000
County of San Mateo	$2,500,000
Deferred Costs	$821,111
Income from Operations	$258,301
Deferred Developer Fee	$8,607,820
Tax Credit Equity	$10,158,657

Permanent Financing

Source	Amount
Citibank	$37,881,000
City of South San Francisco	$3,500,000
County of San Mateo	$2,500,000
Income from Operations	$258,301
Deferred Developer Fee	$7,591,775
Tax Credit Equity	$29,024,733
TOTAL	**$80,755,809**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$72,543,710
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$94,306,823
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$3,055,235
Approved Developer Fee (in Project Cost & Eligible Basis):	$8,627,819
Investor/Consultant:	Aegon USA Realty Advisors
Federal Tax Credit Factor:	$0.95000

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:	$72,543,710
Actual Eligible Basis:	$72,543,710
Unadjusted Threshold Basis Limit:	$36,292,934
Total Adjusted Threshold Basis Limit:	$81,237,356

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: 15%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 70%

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 total development cost per unit is $845,239. The applicant noted the cost is attributable to the high cost of construction, being a scattered site project and previously entitled with market rate finishes, underground mechanical parking, and payment of prevailing wages.

This project involves the new construction of 2 scattered-sites in South San Francisco.

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.