

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 23, 2023**

Meridian Family Apartments, located at 961-971 Meridian Avenue in San Jose, requested and is being recommended for a reservation of \$8,218,606 in annual federal tax credits and \$24,841,586 in total state tax credits to finance the new construction of 231 units of housing serving families with rents affordable to households earning 30%-70% of area median income (AMI). The project will be developed by ROEM Development Corporation and will be located in Senate District 15 and Assembly District 26.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD VASH Vouchers. The project financing includes state funding from the Mixed-Income Program (MIP) through CalHFA.

Project Number CA-23-548

Project Name Meridian Family Apartments
Site Address: 961-971 Meridian Avenue
San Jose, CA 95126
County: Santa Clara
Census Tract: 5022.03

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$8,218,606	\$24,841,586
Recommended:	\$8,218,606	\$24,841,586

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Meridian Family Apartments, L.P.
Contact: Lucky Bhardwaj
Address: 1650 Lafayette Street
Santa Clara, CA 95050
Phone: (408) 984-5600
Email: lbhardwaj@roemcorp.com

General Partner(s) or Principal Owner(s): PACH San Jose Holdings, LLC
Meridian Family Apartments, LLC
General Partner Type: Joint Venture
Parent Company(ies): Pacific Housing, Inc.
ROEM West LLC
Developer: ROEM Development Corporation
Bond Issuer: CalHFA
Investor/Consultant: R4 Capital LLC
Management Agent: FPI Management Inc

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 233
No. / % of Low Income Units: 231 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (38 Units - 16%) /
HUD VASH Vouchers (35 Units - 15%)

Information

Housing Type: Large Family
 Geographic Area: South and West Bay Region
 CTCAC Project Analyst: Chris Saenz

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	53	23%
40% AMI:	15	6%
50% AMI:	23	10%
60% AMI:	56	24%
70% AMI:	84	36%

Unit Mix

67 1-Bedroom Units
90 2-Bedroom Units
76 3-Bedroom Units
233 Total Units

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
15 1 Bedroom	30%	\$948
15 1 Bedroom	40%	\$1,264
5 1 Bedroom	50%	\$1,580
10 1 Bedroom	60%	\$1,896
22 1 Bedroom	70%	\$2,212
18 2 Bedrooms	50%	\$1,896
18 2 Bedrooms	60%	\$2,275
54 2 Bedrooms	70%	\$2,654
38 3 Bedrooms	30%	\$1,264
28 3 Bedrooms	60%	\$2,527
8 3 Bedrooms	70%	\$2,948
2 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$16,130,000
Construction Costs	\$106,520,304
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$5,091,140
Soft Cost Contingency	\$1,546,781
Relocation	\$50,000
Architectural/Engineering	\$1,319,785
Const. Interest, Perm. Financing	\$20,781,722
Legal Fees	\$265,000
Reserves	\$1,602,531
Other Costs	\$9,306,862
Developer Fee	\$20,615,233
Commercial Costs	\$0
Total	\$183,229,358

Residential

Construction Cost Per Square Foot:	\$534
Per Unit Cost:	\$786,392
True Cash Per Unit Cost*:	\$698,987

Source	Amount	Source	Amount
Citi: Tax-Exempt	\$87,195,898	CalHFA: Tax-Exempt	\$66,969,514
Citi: Taxable	\$38,464,791	CalHFA: MIP	\$4,000,000
Deferred Costs	\$38,375,789	Net Operating Income	\$930,062
Tax Credit Equity	\$19,192,880	Deferred Developer Fee	\$20,365,380
		Tax Credit Equity	\$90,964,402
		TOTAL	\$183,229,358

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$158,050,121
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$205,465,157
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$8,218,606
Total State Credit:	\$24,841,586
Approved Developer Fee (in Project Cost & Eligible Basis):	\$20,615,233
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$0.84991
State Tax Credit Factor:	\$0.84992

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.

Significant Information / Additional Conditions

Staff noted a per unit development cost of \$786,392. The applicant noted that the high per unit cost is attributed to prevailing wage requirements, Type III construction, increased supply chain costs, and the high cost of land in the Bay Area.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

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

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).