**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**January 23, 2008**

**Project Number** CA-2007-919

**Project Name** Fairgrounds Senior Housing Apartments
Address: 520 Tully Road
San Jose, CA 95111 County: Santa Clara

**Applicant Information**
Applicant: Fairgrounds Senior Housing, L.P.
Contact Marcus Griffin
Address: 1650 Lafayette Street
Santa Clara, CA 95050
Phone: (408) 984-5600 Fax: (408) 984-3111
Sponsors Type: Joint Venture

**Bond Information**
Issuer: City of San Jose
Expected Date of Issuance: March 21, 2008
Credit Enhancement: N/A

**Eligible Basis**
Actual: $44,169,239
Requested: $44,169,239
Maximum Permitted: $66,354,760

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7% ☒
55-Year Use/Rent Restriction Adjustment: 120% ☒
Local Development Impact Fees: ☒

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $1,992,275 | $0 |
| Recommended: | $1,992,275 | $0 |

**Project Information**
Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HUD Project based Section 8
HCD MHP Funding: No
Total # of Units: 201
Total # Residential Buildings: 1

**Income/Rent Targeting**
Federal Setaside Elected: 20%/50%
% & No. of Targeted Units: 100% - 199 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 199

| **Unit Type & Number** | **2007 Rents % of Area Median Income** | **Proposed Rent** (including utilities) |
|---|---|---|
| 199 One-Bedroom | 50% | $995 |
| 1 Two-Bedroom | Manager's Unit | $1,200 |
| 1 Three-Bedroom | Manager's Unit | $1,300 |

The general partners or principal owners are ROEM FG Senior, LLC and Pinmore HDC, Inc.

The project developer is ROEM Development Corporation and Pinmore HDC, Inc.

The management services will be provided by FPI Management, Inc.

The market analysis was provided by The Concord Group.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**Project Financing**
Estimated Total Project Cost: $49,173,244 Per Unit Cost: $244,643 Construction Cost Per Sq. Foot: $171

| Construction Financing | | Permanent Financing | |
|---|---|---|---|
| Source | Amount | Source | Amount |
| Citibank | $28,000,000 | Citibank | $12,075,000 |
| City of San Jose | $12,900,000 | City of San Jose | $12,900,000 |
| County of Santa Clara | $1,475,000 | County of Santa Clara | $1,475,000 |
| Deferred Interest – County Loan | $132,750 | Lease Up Income | $2,112,781 |
| Lease Up Income | $1,774,088 | Deferred Developer Fee | $388,872 |
| Deferred Developer Fee | $1,785,000 | Investor Equity | $20,221,591 |
| Investor Equity | $3,106,406 | **TOTAL** | **$49,173,244** |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis: | $44,169,239 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100% |
| Qualified Basis: | $57,420,011 |
| Applicable Rate: | 3.60% |
| Total Maximum Annual Federal Credit: | $1,992,275 |
| Approved Developer Fee: | $2,500,000 |
| Tax Credit Factor: | $1.0150 |

Applicant requests and staff recommends annual federal credits of $1,992,275 based on a qualified basis of $57,420,011 and a funding shortfall of $20,221,591.

**Cost Analysis and Line Item Review**
The requested eligible basis $44,169,239 is below TCAC's adjusted threshold basis limit $66,354,760. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, and local development impact fees. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis.  Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:**  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.

Project based Section 8 contract is in place for 199 units for a term of 10 years.

**Recommendation:**  Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

| Federal/Annual | State/Total |
|---|---|
| **$1,992,275** | **$0** |

**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.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

**Additional Conditions:** The applicant/owner is required to provide the tenants with high speed internet and educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Anthony Zeto