

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
February 1, 2012**

Project Number CA-2012-808

Project Name 1st and Rosemary Family Apartments
Site Address: 66 and 88 E. Rosemary Street
San Jose, CA 95112 County: Santa Clara
Census Tract: 5051.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,941,557	\$0
Recommended:	\$1,941,557	\$0

Applicant Information

Applicant: 1st and Rosemary Family Housing, L.P.
Contact: Jonathan Emami
Address: 1650 Lafayette Street
Santa Clara CA 95050
Phone: 408-984-5600 Fax: 408-984-3111
Email: jemami@roemcorp.com

General partner(s) or principal owner(s): ROEM Development Corporation
Pacific Housing, Inc.
General Partner Type: Joint Venture
Developer: ROEM Development Corporation
Investor/Consultant: Alliant Capital, Ltd.
Management Agent: FPI Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 184
No. & % of Tax Credit Units: 182 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 19
Number of Units @ or below 60% of area median income: 163

Bond Information

Issuer: City of San Jose
 Expected Date of Issuance: March 1, 2012
 Credit Enhancement: N/A

Information

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

Unit Mix

55 1-Bedroom Units
 97 2-Bedroom Units
 32 3-Bedroom Units

 184 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 1 Bedroom	60%	60%	\$1,166
24 2 Bedrooms	60%	60%	\$1,399
7 3 Bedrooms	60%	60%	\$1,616
22 1 Bedroom	60%	50%	\$971
39 2 Bedrooms	60%	50%	\$1,166
12 3 Bedrooms	60%	50%	\$1,346
14 1 Bedroom	60%	45%	\$873
24 2 Bedrooms	60%	45%	\$1,049
8 3 Bedrooms	60%	45%	\$1,212
6 1 Bedroom	50%	30%	\$582
10 2 Bedrooms	50%	30%	\$699
3 3 Bedrooms	50%	30%	\$808
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,100

Project Financing

Estimated Total Project Cost: \$54,784,497
 Estimated Residential Project Cost: \$54,784,497

Residential

Construction Cost Per Square Foot: \$100
 Per Unit Cost: \$297,742

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A. (Construction Loan)	\$35,500,000	Citibank, N.A. (Permanent Loan)	\$19,173,000
City of San Jose Loan	\$6,300,000	City of San Jose Loan	\$6,300,000
HCD - IIG	\$7,883,968	HCD - IIG	\$7,883,968
Deferred Reserve Funding	\$503,701	Lease Up Income	\$565,344
Lease Up Income	\$399,740	Deferred Developer Fee	\$2,378,563
Deferred Developer Fee	\$2,500,000	Tax Credit Equity	\$18,483,622
Tax Credit Equity	\$1,697,088	TOTAL	\$54,784,497

Determination of Credit Amount(s)

Requested Eligible Basis:	\$44,023,514
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$57,230,568
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$1,941,557
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.95200

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$44,023,514
Actual Eligible Basis:	\$44,023,514
Unadjusted Threshold Basis Limit:	\$47,136,913
Total Adjusted Threshold Basis Limit:	\$67,210,432

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 *are below* the minimum operating expenses established in the Regulations (Please see the "Special Issues/Other Significant Information" Section) and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.20% 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.

Special Issues/Other Significant Information:

A waiver was granted by the Executive Director for operating expenses up to 15% below the minimum consistent with TCAC Regulation Section 10327(g)(1).

Local Reviewing Agency:

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.

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

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,941,557	\$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.

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 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 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.

Additional Conditions: The applicant/owner is required to provide the tenants with the following Service Amenities free of charge 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:

- After school program
- Educational classes