**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**May 18, 2016**
**REVISED**

Evelyn Family Apartments, located at 110 South Bernardo Avenue in Mountain View, requested and is being recommended for a reservation of $1,593,055 in annual federal tax credits to finance the new construction of 115 units of housing serving large families with rents affordable to households earning 50-60% 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 24.

| | | |
|---|---|---|
| **Project Number** | CA-16-879 | |
| | | |
| **Project Name** | Evelyn Family Apartments | |
| Site Address: | 779 East Evelyn Avenue | |
| | Mountain View, CA 94041 | County: Santa Clara |
| Census Tract: | 5091.090 | |

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $1,593,055 | $0 |
| Recommended: | $1,593,055 | $0 |

**Applicant Information**

| | | | |
|---|---|---|---|
| Applicant: | Evelyn Avenue Family Apartments, L.P. | | |
| Contact: | Tung Tran | | |
| Address: | 1650 Lafayette Street | | |
| | Santa Clara, CA 95050 | | |
| Phone: | 408-984-5600 | Fax: | 408-984-3111 |
| Email: | ttran@roemcorp.com | | |

| | |
|---|---|
| General Partner(s) or Principal Owner(s): | Pacific Housing, Inc. |
| | ROEM Evelyn Avenue Family, LLC |
| General Partner Type: | Joint Venture |
| Parent Company(ies): | Pacific Housing, Inc. |
| | ROEM Evelyn Avenue Family, LLC |
| Developer: | ROEM Development Corporation |
| Investor/Consultant: | AEGON |
| Management Agent: | FPI Management, Inc. |

**Project Information**

| | |
|---|---|
| Construction Type: | New Construction |
| Total # Residential Buildings: | 1 |
| Total # of Units: | 116 |
| No. & % of Tax Credit Units: | 115 100.00% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | Tax-Exempt |
| 55-Year Use/Affordability: | Yes |

Number of Units @ or below 50% of area median income: 12
Number of Units @ or below 60% of area median income: 103

**Bond Information**

| | |
|---|---|
| Issuer: | California Statewide Communities Development Authority (CSCDA) |
| Expected Date of Issuance: | June 1, 2016 |
| Credit Enhancement: | None |

**Information**

| | |
|---|---|
| Housing Type: | Large Family |
| Geographic Area: | South and West Bay Region |
| TCAC Project Analyst: | Zhuo Chen |

**Unit Mix**

| | |
|---|---|
| 11 | SRO/Studio Units |
| 45 | 1-Bedroom Units |
| 45 | 2-Bedroom Units |
| 15 | 3-Bedroom Units |
| 116 | Total Units |

| Unit Type & Number | | 2015 Rents Targeted % of Area Median Income | 2015 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 10 | SRO/Studio | 60% | 60% | $1,117 |
| 1 | SRO/Studio | 50% | 50% | $931 |
| 40 | 1 Bedroom | 60% | 60% | $1,197 |
| 5 | 1 Bedroom | 50% | 50% | $997 |
| 40 | 2 Bedrooms | 60% | 60% | $1,435 |
| 4 | 2 Bedrooms | 50% | 50% | $1,196 |
| 13 | 3 Bedrooms | 60% | 60% | $1,659 |
| 2 | 3 Bedrooms | 50% | 50% | $1,382 |
| 1 | 2 Bedrooms | Manager’s Unit | Manager’s Unit | $0 |

**Project Cost Summary at Application**

| | |
|---|---|
| Land and Acquisition | $11,772,393 |
| Construction Costs | $37,898,205 |
| Rehabilitation Costs | $0 |
| Construction Contingency | $1,886,662 |
| Relocation | $0 |
| Architectural/Engineering | $1,400,000 |
| Const. Interest, Perm Financing | $2,381,983 |
| Legal Fees, Appraisals | $135,000 |
| Reserves | $374,750 |
| Other Costs | $2,263,730 |
| Developer Fee | $6,040,000 |
| Commercial Costs | $0 |
| **Total** | **$64,152,723** |

**Project Financing**

| | |
|---|---|
| Estimated Total Project Cost: | $64,152,723 |
| Estimated Residential Project Cost: | $64,152,723 |
| Estimated Commercial Project Cost: | $0 |

**Residential**

| | |
|---|---|
| Construction Cost Per Square Foot: | $396 |
| Per Unit Cost: | $553,041 |
| Effective Per Unit Cost: | $523,817 |

**Construction Financing**

| Source | Amount |
|---|---|
| Citibank - TE Bonds | $32,000,000 |
| City of Mountain View | $21,700,000 |
| Deferred Developer Fee | $4,668,547 |
| Solar Tax Credit Equity | $144,763 |
| Tax Credit Equity | $5,639,414 |

**Permanent Financing**

| Source | Amount |
|---|---|
| Citibank - TE Bonds | $16,719,915 |
| Citibank Subordinate Loan | $3,400,000 |
| City of Mountain View | $21,700,000 |
| Deferred Developer Fee | $3,390,000 |
| Solar Tax Credit Equity | $144,763 |
| Tax Credit Equity | $18,798,045 |
| **TOTAL** | **$64,152,723** |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis: | $49,021,960 |
| 130% High Cost Adjustment: | No |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | $49,021,960 |
| Applicable Rate: | 3.25% |
| Total Maximum Annual Federal Credit: | $1,593,055 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | $6,040,000 |
| Investor/Consultant: | AEGON |
| Federal Tax Credit Factor: | $1.18000 |

Per Regulation Section 10322(h)(9)(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 cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

| | |
|---|---|
| Requested Unadjusted Eligible Basis: | $49,021,960 |
| Actual Eligible Basis: | $50,630,912 |
| Unadjusted Threshold Basis Limit: | $31,681,914 |
| Total Adjusted Threshold Basis Limit: | $49,972,418 |

**Adjustments to Basis Limit**

Required to Pay Prevailing Wages
Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:
● Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
● New construction: project buildings are at least 15% more energy efficient than 2013 CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
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 does not meet the minimum operating expenses established in the Regulations (see "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 3.25% 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**

This project's annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $5,300. As allowed by Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $5,000 on agreement of the permanent lender and equity investor.

The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Mountain View, has completed a site review of this project and strongly supports this project.

**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 |
|---|---|
| **$1,593,055** | **$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 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.

**Additional Conditions**

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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 off-site within 1/2 mile for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under any one of the following programs:
  Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes GOLD standard.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).