CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

Alamo Garden Apartments, located at 1501 Alamo Drive in Vacaville, requested and is being recommended for a reservation of $987,865 in annual federal tax credits to finance the acquisition and rehabilitation of 180 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 is located in Senate District 3 and Assembly District 11.

Project Number CA-17-754

Project Name Alamo Garden Apartments
Site Address: 1501 Alamo Drive
Vacaville, CA 95687 County: Solano
Census Tract: 2531.07

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$987,865	$0
Recommended:	$987,865	$0

Applicant Information

Applicant:	ROEM Development Corporation	
Contact:	Brett Granum	
Address:	1650 Lafayette Street Santa Clara, CA 95050	
Phone:	(408) 984-5600	Fax: (408) 984-3111
Email:	bgranum@roemcorp.com	

General Partner(s) or Principal Owner(s):	Pacific Housing, Inc. ROEM Alamo Garden Family Apartments LLC
General Partner Type:	Joint Venture
Parent Company(ies):	ROEM Corporation Pacific Housing, Inc.
Developer:	ROEM Development Corporation
Investor/Consultant:	Aegon
Management Agent:	FPI Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 29
Total # of Units: 182
No. & % of Tax Credit Units: 180 100.00%
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: 19
Number of Units @ or below 60% of area median income: 161

Bond Information

Issuer: California Communities (CSCDA)
Expected Date of Issuance: August 15, 2017
Credit Enhancement: None (Citibank private placement)

Information

Housing Type: Large Family
Geographic Area: North and East Bay Region
TCAC Project Analyst: Mark Stivers

Unit Mix

68	1-Bedroom Units
109	2-Bedroom Units
5	3-Bedroom Units
182	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
61	1 Bedroom	60%	60%	$905
7	1 Bedroom	50%	50%	$754
97	2 Bedrooms	60%	60%	$1,086
11	2 Bedrooms	50%	50%	$905
3	3 Bedrooms	60%	60%	$1,254
1	3 Bedrooms	50%	50%	$1,045
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $62,323,140

Project Cost Summary at Application

Land and Acquisition	$17,111,250
Rehabilitation Costs	$6,694,146
Construction Contingency	$0
Relocation	$200,000
Architectural/Engineering	$101,275
Const. Interest, Perm. Financing	$2,402,516
Legal Fees, Appraisals	$160,500
Reserves	$456,881
Other Costs	$657,967
Developer Fee	$3,562,463
Total	**$31,346,998**

Project Financing

Estimated Total Project Cost:	$31,346,998
Estimated Residential Project Cost:	$31,346,998
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$62
Per Unit Cost:	$172,236
True Cash Per Unit Cost*:	$156,358

Construction Financing

Source	Amount
Citibank - Tranche A	$16,500,000
Citibank - Tranche B	$4,700,000
Net Operating Income	$1,796,115
Deferred Reserve Funding	$456,881
Deferred Developer Fee	$2,787,250
Tax Credit Equity	$5,106,752

Permanent Financing

Source	Amount
Citibank	$16,025,955
Net Operating Income	$1,796,115
GP Capital Contribution	$1,350,000
Deferred Developer Fee	$2,889,925
Tax Credit Equity	$9,285,003
TOTAL	**$31,346,998**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,278,748
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$17,033,471
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,362,372
Qualified Basis (Acquisition):	$17,033,471
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$434,277
Maximum Annual Federal Credit, Acquisition:	$553,588
Total Maximum Annual Federal Credit:	$987,865
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,562,463
Investor/Consultant:	Aegon
Federal Tax Credit Factor:	$0.93991

Per Regulation Section 10327(c)(6), 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:	$27,312,219
Actual Eligible Basis:	$27,312,219
Unadjusted Threshold Basis Limit:	$53,867,672
Total Adjusted Threshold Basis Limit:	$59,254,439

Adjustments to Basis Limit

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, except as noted below. Annual operating expenses are below the minimum operating expenses established in the Regulations with the approval noted below, 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

Project received a partial waiver from the minimum construction standards for accessibility pursuant to Section 10325(f)(7)(K). The project shall provide 10 (5.5%) mobility accessible units compliant with Chapter 11(B). The units may all be 2-bedroom units and may be centrally located near the common area and on the shortest path of travel from accessible parking.

Pursuant to Section 10327(g)(1), the Executive Director has approved operating expenses of $4675 per unit with the agreement of the lender and investor.

The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14% based on the specific line item costs. However, the estimated costs are within the limits if the hard cost contingency is included in the calculation. 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 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
$987,865	**$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 on-site for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes on-site 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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.