

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 14, 2012
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Crystal Alvarez

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$10,185,000

Project Information:
Name: Kellgren Senior Apartments
Project Address: 855 Wood Sorrel Drive
Project City, County, Zip Code: Petaluma, Sonoma, 94954

Project Sponsor Information:
Name: To be formed limited partnership (Petaluma Ecumenical Properties and Caulfield Lane Senior Housing, Inc.)
Principals: Richard Rodkin, James Dalton III and Arthur Cooper for both entities
Property Management Company: Petaluma Ecumenical Properties (PEP Housing)

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Silicon Valley Bank
TEFRA Hearing Date: February 6, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The 1.71 acre project site is flat, vacant, and generally an elongated rectangle in shape. The project will have three apartment buildings housing 12, 14 and 24 units respectively. The three-story apartments buildings form the three sides of a "triangle," enclosing a courtyard. This enclosed courtyard is designed to provide acoustical protection from the street traffic, a sense of community and security for the residents. A continuous exterior balcony encircles the courtyard and connects the second and third floors of all the buildings. A hydraulic elevator, sized to accommodate a gurney, and three stairwells provide access to the upper level balconies and units. The design includes a 2,131 square foot single-story community building with associated plaza and covered porch. The community building has a large community room, kitchen, men's and women's restrooms, a computer room with internet access for resident use and storage room.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (49 units) restricted to 50% or less of area median income households.
Unit Mix: 1 bedroom

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 13,809,860	
Estimated Hard Costs per Unit:	\$ 134,880	(\$6,609,102 /49 units)
Estimated per Unit Cost:	\$ 281,834	(\$13,809,860 /49 units)
Allocation per Unit:	\$ 207,857	(\$10,185,000 /49 units)
Allocation per Restricted Rental Unit:	\$ 207,857	(\$10,185,000 /49 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,185,000	\$ 0
Developer Equity	\$ 254,820	\$ 264,820
Deferred Developer Fee	\$ 126,619	\$ 0
LIH Tax Credit Equity	\$ 802,024	\$ 5,283,268
Direct & Indirect Public Funds	\$ 1,877,453	\$ 8,135,153
Other (costs deferred till perm)	\$ 563,944	\$ 126,619
Total Sources	\$ 13,809,860	\$ 13,809,860

Uses of Funds:	
Land Purchase	\$ 1,062,211
On & Off Site Costs	\$ 804,125
Hard Construction Costs	\$ 5,804,977
Architect & Engineering Fees	\$ 602,945
Contractor Overhead & Profit	\$ 712,901
Developer Fee	\$ 1,200,000
Cost of Issuance	\$ 232,594
Capitalized Interest	\$ 308,096
Other Soft Costs (Marketing, etc.)	\$ 3,082,011
Total Uses	\$ 13,809,860

Description of Financial Structure and Bond Issuance:

The tax-exempt bond will be privately placed with Silicon Valley Bank. The construction loan will be for a term of 30 months and for the first 24 months will bear an interest rate of 1.85% fixed. At month 25, the rate will convert to the Prime rate, as published in the Wall Street Journal, minus 1%. Currently the indicative rate would be 2.25%. Once the construction loan has matured it will be paid off with Low Income Housing Tax Credits and HUD 202 financing.

Analyst Comments:

Not Applicable

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 75 out of 118
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,185,000 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	118	100	75

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.