

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 16, 2012**

Project Number CA-2012-821

Project Name Kellgren Senior Apartments
Site Address: 855 Wood Sorrel Drive
Petaluma, CA 94954 County: Sonoma
Census Tract: 1506.090

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$492,444	\$0
Recommended:	\$492,444	\$0

Applicant Information

Applicant: Kellgren Senior Apartments, L.P.
Contact: Mary Stompe
Address: 951 Petaluma Boulevard South
Petaluma, CA 94952
Phone: 707-762-2336 Fax: 707-762-4657
Email: marys@pephousing.org

General partner(s) or principal owner(s): Caulfield Lane Senior Housing, Inc.
General Partner Type: Nonprofit
Developer: Petaluma Ecumenical Properties
Investor/Consultant: California Housing Partnership Corporation
Management Agent: PEP Housing

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 50
No. & % of Tax Credit Units: 49 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 202 PRAC (42 units - 86%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 20
Number of Units @ or below 50% of area median income: 29

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: November 2012
Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Gina Ferguson

Unit Mix

49 1-Bedroom Units
 1 2-Bedroom Units

 50 Total Units

Unit Type & Number	2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20 1 Bedroom	30%	38%	\$583
22 1 Bedroom	50%	38%	\$583
7 1 Bedroom	50%	44%	\$689
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$13,716,613

Residential

Construction Cost Per Square Foot: \$206
 Per Unit Cost: \$274,332

Construction Financing

Permanent Financing

Source	Amount	Source	Amount
Silicon Valley Bank	\$10,185,000	HUD Section 202 Capital Advance	\$6,257,700
City of Petaluma	\$1,387,453	City of Petaluma	\$1,387,453
AHP	\$784,000	AHP	\$784,000
Deferred costs	\$721,879	PEP Housing	\$10,000
Deferred Developer Fee	\$99,101	Deferred Developer Fee	\$99,101
Tax Credit Equity	\$539,180	Tax Credit Equity	\$5,178,359
		TOTAL	\$13,716,613

Determination of Credit Amount(s)

Requested Eligible Basis: \$11,837,608
 130% High Cost Adjustment: Yes
 Qualified Basis: \$15,388,890
 Applicable Rate: 3.20%
 Total Maximum Annual Federal Credit: \$492,444
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,200,000
 Investor/Consultant: California Housing Partnership Corporation
 Federal Tax Credit Factor: \$1.05156

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 cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$11,837,608
Actual Eligible Basis:	\$11,837,608
Unadjusted Threshold Basis Limit:	\$12,053,422
Total Adjusted Threshold Basis Limit:	\$31,218,363

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 59%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 80%

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 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 3.20% 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: None

Local Reviewing Agency:

The Local Reviewing Agency, the City of Petaluma, 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
\$492,444	\$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: None