

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 6, 2007

Project Number CA-2007-842

Project Name Casa Grande Senior Apartments
Address: 400 Casa Grande Road
Petaluma, CA 94954 County: Sonoma

Applicant Information

Applicant: PEP Housing
Contact: Bob Dreher
Address: 951 Petaluma Blvd. South
Petaluma, CA 94952
Phone: (707) 762-2336 Fax: (707) 762-4657
Sponsors Type: Nonprofit

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: August, 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$17,383,529
Requested: \$16,852,331
Maximum Permitted: \$16,852,331

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
55-Year Use/Rent Restriction Adjustment: 120%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
Distributive Energy Technologies and/or Renewable Energy Sources: Up to 5%
Local Development Impact Fees:

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$788,689	\$0
Recommended:	\$788,689	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 58
Total # Residential Buildings: 3

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 57 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 57
Number of Units @ or below 60% of area median income: 0

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
44 One-Bedroom	50%	\$557
13 One-Bedroom	50%	\$660
1 Two-Bedroom	Manager's Unit	\$0

The general partner or principal owner is PEP Housing.

The project developer is PEP Housing.

The management services will be provided by PEP Housing.

The market analysis was provided by Laurin Associates.

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

Project Financing

Estimated Total Project Cost: \$19,513,846 Per Unit Cost: \$336,446 Construction Cost Per Sq. Foot: \$314

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$12,825,000	HUD Section 202	\$6,095,400
City of Petaluma	\$1,300,000	City of Petaluma	\$1,300,000
HCD-HOME	\$3,950,000	HCD-HOME	\$3,950,000
Deferred Developer Fee	\$390,000	Deferred Developer Fee	\$390,000
Deferred Costs	\$1,021,866	PV Energy Rebate	\$86,496
Investor Equity	\$26,979	Investor Equity	\$7,691,949
		TOTAL	\$19,513,845

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,852,331
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$21,908,030
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$788,689
Approved Developer Fee in Total Project Cost:	\$1,305,000
Approved Developer Fee in Eligible Basis:	\$1,220,000
Tax Credit Factor:	\$0.97528

Applicant requests and staff recommends annual federal credits of \$788,689 based on a qualified basis of \$21,908,030 and a funding shortfall of \$7,691,949.

Cost Analysis and Line Item Review

The requested eligible basis \$16,852,331 is at TCAC's adjusted threshold basis limit \$16,852,331. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units projects that are required to pay state or federal prevailing wages, projects that include distributive energy technologies such as micro turbines and/or renewable energy sources such as solar, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, where at least 75% of the construction and demolition waste (measured by either weight or volume) will be recycled, Installing bamboo, stained concrete, cork,

salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas, using CRI Green Label Plus Carpet or no carpet in all bedrooms,. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: 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.

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

Federal/Annual	State/Total
\$788,689	\$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.

TCAC makes the 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 _____ 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.

Project Analyst: Elaine Johnson