

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project**

July 28, 2010

Project Number CA-2010-823

Project Name Acacia Lane Senior Apartments
Site Address: 657 Acacia Lane
Santa Rosa, CA 95409 County: Sonoma
Census Tract: 1522.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$505,644	\$0
Recommended:	\$505,644	\$0

Applicant Information

Applicant: Petaluma Ecumenical Properties
Contact: Mary Stompe
Address: 951 Petaluma Blvd South
Petaluma, CA 94952
Phone: 707.762.2336 **Fax:** 707.762.4657
Email: marys@pephousing.org

General partner(s) or principal owner(s): Petaluma Ecumenical Properties
General Partner Type: Nonprofit
Developer: Petaluma Ecumenical Properties
Investor/Consultant: Merritt Capital
Management Agent: Petaluma Ecumenical Properties

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 44
No. & % of Tax Credit Units: 43 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD 202 (84% - 37 units) / HOME / CDBG
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 43
Number of Units @ or below 60% of area median income: 0

Information

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

Bond Information

Issuer: City of Santa Rosa
 Expected Date of Issuance: November 2010
 Credit Enhancement: None

Unit Mix

43 1-Bedroom Units
1 2-Bedroom Units
 44 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
18 1 Bedroom	50%	39%	\$591
19 1 Bedroom	50%	39%	\$591
6 1 Bedroom	50%	48%	\$729
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$12,746,857 Construction Cost Per Square Foot: \$188
 Per Unit Cost: \$289,701

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Silicon Valley Bank - Tax-Exempt Bonds	\$8,600,000	HUD Section 202 Capital Advance	\$5,792,700
Housing Authority of the City of Santa Rosa	\$1,456,222	Housing Authority of the City of Santa Rosa	\$1,456,222
Housing Authority of the City of Santa Rosa	\$250,000	Housing Authority of the City of Santa Rosa	\$250,000
Housing Authority of the City of Santa Rosa - CDBG	\$785,500	Housing Authority of the City of Santa Rosa - CDBG	\$785,500
Housing Authority of the City of Santa Rosa - Accrued/deferred interest	\$77,953	Housing Authority of the City of Santa Rosa - Accrued/deferred interest	\$77,953
Deferred Costs	\$1,356,418	Federal Home Loan Bank - AHP	\$430,000
Deferred Developer Fee	\$80,339	Deferred Developer Fee	\$80,339
Tax Credit Equity	\$140,425	General Partner Equity	\$10,000
		Tax Credit Equity	\$3,864,143
		TOTAL	\$12,746,857

Determination of Credit Amount(s)

Requested Eligible Basis: \$11,439,910
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$14,871,883
 Applicable Rate: 3.40%
 Total Maximum Annual Federal Credit: \$505,644
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,225,000
 Investor/Consultant: Merritt Capital
 Federal Tax Credit Factor: \$0.76420

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: \$11,439,910
Actual Eligible Basis: \$11,439,910
Unadjusted Threshold Basis Limit: \$11,140,688
Total Adjusted Threshold Basis Limit: \$24,509,514

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: 100%

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 3.40% 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: Applicant requested and received a waiver of the minimum construction standard for water heaters. An instant tankless hot water system will be substituted for individual water heaters.

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.

following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual
\$505,644

State Tax Credits/Total
\$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: The applicant/owner is required to provide the tenants with educational classes and contracts for services free of charge 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.

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 placed-in-service application is submitted:

- A new construction or adaptive reuse project that exceeds Title 24 energy standards by at least 10%;
- Use of either flow restrictors on kitchen and bathroom faucets or at least one high efficiency toilet or dual flush toilets per unit;
- Use of either a) no VOC interior paint, Carpet and Rug Institute Green Label, low VOC carpeting and pad, and low VOC adhesives or b) bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor/timer;
- Use of either material for all cabinets, countertops, shelving that is free of added formaldehyde/fully sealed and/or low VOC primer/sealant or formaldehyde-free insulation.