

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

Sun House Senior Apartments, located at 517 South Main Street in Ukiah, CA, requested and is being recommended for a reservation of \$1,190,139 in annual federal tax credits to finance the new construction of 41 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Petaluma Ecumenical Properties and will be located in Senate District 2 and Assembly District 2.

Project Number CA-15-136

Project Name Sun House Senior Apartments
Site Address: 517 South Main Street
Ukiah, CA 95482 County: Mendocino
Census Tract: 116.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,190,139	\$0
Recommended:	\$1,190,139	\$0

Applicant Information

Applicant: Petaluma Ecumenical Properties
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) / Principal Owner(s): Petaluma Ecumenical Properties
General Partner Type: Nonprofit
Parent Company(ies): Petaluma Ecumenical Properties
Developer: Petaluma Ecumenical Properties
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): Petaluma Ecumenical Properties

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 3
 Total # of Units: 42
 No. & % of Tax Credit Units: 41 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: CDBG
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 40% AMI: 5 10 %
 50% AMI (Rural): 21 50 %

Information

Set-Aside: Rural
 Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Marlene McDonough

Unit Mix

36 1-Bedroom Units
 6 2-Bedroom Units

 42 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 1 Bedroom	30%	30%	\$326
1 2 Bedrooms	30%	30%	\$391
4 1 Bedroom	40%	40%	\$434
1 2 Bedrooms	40%	40%	\$522
19 1 Bedroom	50%	50%	\$543
2 2 Bedrooms	50%	50%	\$652
9 1 Bedroom	60%	60%	\$652
1 2 Bedrooms	60%	60%	\$783
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,121,576
Construction Costs	\$7,786,216
Rehabilitation Costs	\$0
Construction Contingency	\$473,271
Relocation	\$0
Architectural/Engineering	\$803,000
Construction Interest, Perm Financing	\$616,082
Legal Fees, Appraisals	\$72,500
Reserves	\$81,280
Other Costs	\$1,042,533
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$13,396,458

Project Financing

Estimated Total Project Cost:	\$13,396,458
Estimated Residential Project Cost:	\$13,396,458

Residential

Construction Cost Per Square Foot:	\$219
Per Unit Cost:	\$318,963

Construction Financing

Source	Amount
Wells Fargo Construction Loan	\$8,719,000
City of Ukiah	\$1,045,000
County of Mendocino - CDBG	\$300,000
AHP	\$820,000
Deferred Developer Fee	\$907,195
Tax Credit Equity	\$1,605,263

Permanent Financing

Source	Amount
City of Ukiah	\$1,045,000
County of Mendocino - CDBG	\$300,000
AHP	\$820,000
PV Energy Credit Equity	\$39,000
Tax Credit Equity	\$11,192,458
TOTAL	\$13,396,458

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,904,960
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,476,448
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$1,190,139
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94043

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:	\$11,904,960
Actual Eligible Basis:	\$11,904,960
Unadjusted Threshold Basis Limit:	\$8,745,936
Total Adjusted Threshold Basis Limit:	\$12,560,774

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 45% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	19.872%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Ukiah, 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
\$1,190,139	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	20	5	5
Public Funds	20	15	15
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Develop project to requirements of: Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.