

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 Second Round Cycle
Tax-Exempt Bond Project with State Credits
October 8, 2008

Project Number CA-2008-911

Project Name Fabian Way Senior
Site Address: 3895 Fabian Way
Palo Alto, CA 94303 County: Santa Clara
Census Tract: 5108.01

Applicant Information

Applicant: BRIDGE Housing Corporation
Contact: Ben Metcalf
Address: 345 Spear Street, Suite 700
San Francisco, CA 94105
Phone: 415-989-1111 Fax: 415-495-4898
Email: bmetcalf@bridgehousing.com
Sponsors Type: Nonprofit

Information

Housing Type: Senior

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: October 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$17,662,418
Requested: \$17,662,418
Maximum Permitted: \$20,842,150

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 67%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$618,185	\$2,296,114
Recommended:	\$618,185	\$2,296,114

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 56
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 55 units
55-Year Use/Affordability Restriction: Yes
Breakdown by %: 10% @ 30%, 15% @ 45%, 50% @ 50%
Number of Units @ or below 50% of area median income: 43
Number of Units @ or below 60% of area median income: 12

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Owner/Management Characteristics Maximum of 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Housing Needs Maximum of 10 points	10	10	10
Site Amenities Maximum of 15 points	15	15	12
<input checked="" type="checkbox"/> Within 500 feet of a regular bus stop or rapid transit system stop	4	4	4
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of public library	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and	3	3	3
Service Amenities Maximum of 10 points	10	10	10
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as	5	5	5
<input checked="" type="checkbox"/> Bona fide service coordinator available	5	5	5
Sustainable Building Methods Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above	4	4	4
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
Lowest Income Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed Maximum of 20 points	20	20	20
Total Points	124	124	121

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 One-Bedroom	30%	\$497
9 One-Bedroom	45%	\$497
5 One-Bedroom	50%	\$497
11 One-Bedroom	50%	\$597
12 One-Bedroom	50%	\$798
12 One-Bedroom	60%	\$798
1 Two-Bedroom	Manager's Unit	\$906

The general partner or principal owner is BRIDGE Tower LLC and Northpoint Housing, Inc.

The project developer is BRIDGE Housing Corporation.

The management services will be provided by BRIDGE Property Management Company.

The market analysis was provided by The Concord Group, LLC.

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

Project Financing

Estimated Total Project Cost: \$19,092,589 Per Unit Cost: \$340,939 Construction Cost Per Sq. Foot: \$326

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Silicon Valley Bank	\$12,265,000	HCD - MHP	\$5,250,000
Sobrato Fund	\$1,000,000	City of Palo Alto	\$383,929
City of Palo Alto	\$383,929	City of Palo Alto	\$216,071
Housing Trust of Santa Clara County	\$539,439	County of Santa Clara	\$2,028,162
Accrued interest	\$6,406	Accrued interest	\$6,406
Lenders for Community Development	\$1,169,575	General Partner Equity	\$3,265,020
General Partner Equity	\$2,331,227	Deferred Developer Fee	\$349,000
		Investor Equity	\$7,594,000
		TOTAL	\$19,092,589

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,662,418
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$17,662,418
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$618,185
State Credit Applicable Rate:	13%
Total State Credit:	\$2,296,114
Approved Developer Fee:	\$1,400,000
Tax Credit Factor: Community Economics	\$0.90

Applicant requests and staff recommends annual federal credits of \$618,185 and total state credits of \$2,296,114, based on a qualified basis of \$17,662,418 and a funding shortfall of \$7,594,000.

Cost Analysis and Line Item Review

The requested eligible basis \$17,662,418 is below TCAC's adjusted threshold basis limit \$20,842,150. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. 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 3.50% 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: None

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
\$618,185

State/Total
\$2,296,114

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 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 and state 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

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Gina Ferguson