

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
November 13, 2013**

Project Number CA-13-889

Project Name Washington Plaza Apartments
Site Address: 1318 E Street
Sacramento, CA 95814-1450 County: Sacramento
Census Tract: 5.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$761,343	\$0
Recommended:	\$761,343	\$0

Applicant Information

Applicant: BRIDGE Housing Corporation/
Sacramento Housing Authority Repositioning Program, Inc.

Contact: Kevin Leichner
Address: 345 Spear Street, Ste. 700
San Francisco, CA 94105
Phone: 415-989-1111 Fax: 415-495-4898
Email: kleichner@bridgehousing.com

General Partner(s) or Principal Owner(s): Winfield Hill Inc.
Sacramento Housing Authority Repositioning Program

General Partner Type: Nonprofit

Parent Company(ies): BRIDGE Housing Corporation
Sacramento Housing Redevelopment Agency

Developer: BRIDGE Housing Corporation

Investor/Consultant: California Housing Partnership Corporation

Management Agent: Housing Authority City of Sacramento

Project Information

Construction Type: Acquisition & Rehabilitation

Total # Residential Buildings: 1

Total # of Units: 76

No. & % of Tax Credit Units: 75 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt/HOME/CDBG/
HUD Project-based Section 8 Vouchers (75 Units-100%)

HCD MHP Funding: No

55-Year Use/Affordability: Yes

Number of Units @ or below 50% of area median income: 75

Bond Information

Issuer: Housing Authority City of Sacramento
 Expected Date of Issuance: December 1, 2013
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: Capital & Northern Region
 TCAC Project Analyst: Daniel Tran

Unit Mix

76 1-Bedroom Units
76 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
75 1 Bedroom	50%	50%	\$678
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$21,640,299
 Estimated Residential Project Cost: \$21,640,299

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank Tax Exempt Construction Loan	\$12,722,000
Seller Take-Back	\$5,850,000
Costs Deferred until Perm. Conversion	\$1,986,139
Tax Credit Equity	\$1,082,160

Residential

Construction Cost Per Square Foot: \$176
 Per Unit Cost: \$284,741

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank Tax Exempt Perm Loan	\$3,531,000
SHRA - HOME Loan	\$2,568,000
SHRA - CDBG Loan	\$552,000
Seller Take-Back	\$5,850,000
AHP	\$750,000
Income from Operations	\$444,844
Solar Credit Equity	\$79,350
Tax Credit Equity	\$7,865,105
TOTAL	\$21,640,299

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$13,472,195
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,278,125
Applicable Fraction:	100%
Qualified Basis (Rehabilitation):	\$6,278,125
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$6,278,125
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$560,443
Maximum Annual Federal Credit, Acquisition:	\$200,900
Total Maximum Annual Federal Credit:	\$761,343
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.03306

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

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:	\$19,750,320
Actual Eligible Basis:	\$19,750,320
Unadjusted Threshold Basis Limit:	\$13,961,656
Total Adjusted Threshold Basis Limit:	\$32,111,809

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
 95% of Upper Floor Units are Elevator-Serviced
 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 3.20% 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 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.

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
\$761,343	\$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

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 reservation 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

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 the following service amenities 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:

- Wellness services and programs providing individualized support for tenants on-site
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 25% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.