

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 28, 2009

Project Number CA-2008-961

Project Name St. Joseph's Senior Apartments
Address: 2647 International Boulevard
Oakland, CA 94601

County: Alameda

Applicant Information

Applicant: BRIDGE Housing Corporation
Contact Smitha Seshadri
Address: 345 Spear Street, Suite 700
San Francisco, CA 94105
Phone: (415) 989-1111
Email: sseshadri@bridgehousing.com
Sponsors Type: Nonprofit

Fax: (415) 495-4898

Information

Housing Type: Seniors

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: March 2009
Credit Enhancement: None

Eligible Basis

Actual: \$29,835,913
Requested: \$29,835,913
Maximum Permitted: \$61,835,789

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
95% of Upper Floor Units are Elevator-Serviced: 10%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 8%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI
or Below: 182%

Tax Credit Amounts

	Federal/Annual	State/Total
Requested:	\$1,293,166	\$0
Recommended:	\$1,293,166	\$0

Project Information

Construction Type: Rehabilitation and Acquisition
Federal Subsidy: Tax-Exempt/HOME/Section 8
HCD MHP Funding: Yes
Total # of Units: 84
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 83 units
 55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 35% of area median income: 76
 Number of Units @ or below 50% of area median income: 7

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 Studio	30%	\$452
5 One-Bedroom	30%	\$484
25 Studio	35%	\$527
42 One-Bedroom	35%	\$565
4 Studio	50%	\$753
3 One-Bedroom	50%	\$807
1 Two-Bedroom	Manager's Unit	\$1,091

The general partner or principal owner is BRIDGE Tower, LLC.

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.

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

Project Financing

Estimated Total Project Cost: \$40,157,424

Residential Project Cost: \$38,694,877

Commercial Project Cost: \$1,462,547

Per Unit Cost: \$460,653 Construction Cost Per Sq. Foot: \$395

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Tax-Exempt Bonds	\$27,700,000	Tax-Exempt Bonds	\$324,200
City of Oakland	\$7,002,000	Tax-Exempt Perm Loan – Sect. 8	\$4,255,124
AHP	\$415,000	HCD - MHP	\$7,088,603
Foundation Grants (Evelyn & Walter)	\$100,000	City of Oakland	\$7,780,000
CalReUSE	\$999,110	Foundation Grants (Evelyn & Walter)	\$100,000
Foundation Grants (NCCLF)	\$50,000	AHP	\$415,000
Deferred Developer Fee	\$1,700,000	CalReUSE	\$999,110
Investor Equity	\$1,174,583	Foundation Grants (NCCLF)	\$50,000
		Historic Tax Credit Equity	\$5,749,227
		Deferred Developer Fee	\$1,700,000
		Investor Equity	\$11,696,160
		TOTAL	\$40,157,424

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$23,705,595
Requested Acquisition Eligible Basis:	\$6,130,318
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$30,817,274
Qualified Acquisition Basis:	\$6,130,318
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$1,078,605
Maximum Annual Federal Acquisition Credit:	\$214,561
Total Maximum Annual Federal Credit:	\$1,293,166
Approved Developer Fee:	\$2,500,000
<i>Residential:</i>	\$2,402,739
<i>Commercial:</i>	\$97,261
Tax Credit Factor: <i>Union Bank of CA</i>	\$0.90446

Applicant requests and staff recommends annual federal credits of \$1,293,166, based on a qualified rehabilitation basis of \$30,817,274, a qualified acquisition basis of \$6,130,318, and a funding shortfall of \$11,696,160.

Cost Analysis and Line Item Review

The requested eligible basis \$29,835,913 is below TCAC's adjusted threshold basis limit \$61,835,789. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that include 95% of upper floor units are elevator-serviced, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, 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: Staff noted a slightly high residential cost per unit which can be attributed to the local historic landmark status of the existing building. The project is a conversion and adaptive reuse of a historic landmark building to a residential use which requires seismic retrofitting of a 96 year old brick building. Other reasons for the high residential cost per unit include the project being located in an urban infill area resulting in higher land costs as well as the proposed rehabilitation conforming to the Secretary of the Interior's Standards for the rehabilitation of historic structures in satisfaction of the local jurisdiction's and the State Office of Historic Preservation's conditions of approval for the development.

Staff has inquired and received confirmation that the slightly high credit pricing will be held by the investor.

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
\$1,293,166	\$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 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 contract for services 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: Anthony Zeto