

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 20, 2011

Project Number CA-2011-875

Project Name Fell Street Apartments
Site Address: 333 Fell Street
San Francisco, CA 94102 County: San Francisco
Census Tract: 162.000

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$527,697 | \$0 |
| Recommended: | \$527,697 | \$0 |

Applicant Information

Applicant: BRIDGE Housing Corporation
Contact: Kevin Leichner
Address: 345 Spear Street, Suite 700
San Francisco, CA 94105
Phone: 415-321-3554 Fax: 415-495-4898
Email: kleichner@bridgehousing.com

General partner(s) or principal owner(s): Gough Street Housing, LLC
General Partner Type: Nonprofit
Developer: BRIDGE Housing Corporation
Investor/Consultant: Wells Fargo - Wachovia Securities
Management Agent: BRIDGE Property Management Co.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 82
No. & % of Tax Credit Units: 81 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 37
Number of Units @ or below 60% of area median income: 44

Bond Information

Issuer: San Francisco Mayor's Office of Housing
Expected Date of Issuance: 08/01/11
Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: San Francisco County
 TCAC Project Analyst: Nicola Hil

Unit Mix

4 SRO/Studio Units
 20 1-Bedroom Units
 24 2-Bedroom Units
 34 3-Bedroom Units

 82 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> |
|-------------------------------|--|--|--|
| 3 SRO/Studio | 50% | 39% | \$725 |
| 1 SRO/Studio | 60% | 39% | \$725 |
| 2 1 Bedroom | 50% | 27% | \$554 |
| 1 1 Bedroom | 60% | 43% | \$857 |
| 4 1 Bedroom | 50% | 39% | \$777 |
| 13 1 Bedroom | 60% | 46% | \$934 |
| 3 2 Bedrooms | 50% | 25% | \$599 |
| 3 2 Bedrooms | 50% | 40% | \$980 |
| 18 2 Bedrooms | 60% | 47% | \$1,142 |
| 22 3 Bedrooms | 50% | 23% | \$639 |
| 11 3 Bedrooms | 60% | 42% | \$1,175 |
| 1 3 Bedrooms | Manager's Unit | Manager's Unit | \$1,175 |

Project Financing

Estimated Total Project Cost: \$14,682,153 Construction Cost Per Square Foot: \$25
 Per Unit Cost: \$179,051

| Construction Financing | | Permanent Financing | |
|-------------------------------------|---------------|-----------------------------------|---------------------|
| <u>Source</u> | <u>Amount</u> | <u>Source</u> | <u>Amount</u> |
| Wells Fargo Financial National Bank | \$7,845,173 | California Community Reinv. Corp. | \$2,510,942 |
| HCD - RHCP | \$2,235,369 | HCD - RHCP | \$2,235,369 |
| BRIDGE Seller Takeback Loan | \$3,277,990 | BRIDGE Seller Takeback Loan | \$3,277,990 |
| Deferred Developer Fee | \$579,944 | FHLB AHP | \$820,000 |
| Tax Credit Equity | \$100,000 | GP Equity | \$536 |
| | | Equity from PV Credit | \$193,585 |
| | | Deferred Developer Fee | \$579,944 |
| | | Tax Credit Equity | \$5,063,788 |
| | | TOTAL | \$14,682,153 |

Determination of Credit Amount(s)

| | |
|--|-----------------------------------|
| Requested Eligible Basis (Rehabilitation): | \$6,210,547 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | \$7,446,780 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | \$8,073,712 |
| Applicable Rate: | 3.40% |
| Qualified Basis (Acquisition): | \$7,446,780 |
| Applicable Rate: | 3.40% |
| Maximum Annual Federal Credit, Rehabilitation: | \$274,506 |
| Maximum Annual Federal Credit, Acquisition: | \$253,191 |
| Total Maximum Annual Federal Credit: | \$527,697 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$922,697 |
| Investor/Consultant: | Wells Fargo - Wachovia Securities |
| Federal Tax Credit Factor: | \$0.95960 |

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: | \$13,657,328 |
| Actual Eligible Basis: | \$13,657,328 |
| Unadjusted Threshold Basis Limit: | \$31,311,360 |
| Total Adjusted Threshold Basis Limit: | \$54,794,880 |

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: 45%

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. 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: Project is a re-syndication; existing TCAC number: CA-1992-111

Local Reviewing Agency:

The Local Reviewing Agency, San Francisco Mayor's Office of Housing, 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 |
| \$527,697 | \$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: None