

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 10, 2012**

Project Number CA-12-874

Project Name 9th & Broadway
Site Address: Southeast Corner of 9th Street & Broadway
San Diego, CA 92101 County: San Diego
Census Tract: 52.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,493,447	\$0
Recommended:	\$1,493,447	\$0

Applicant Information

Applicant: BRIDGE Housing Corporation
Contact: Aruna Doddapaneni
Address: 2202 30th Street
San Diego, CA 92104
Phone: 619-231-6300 Fax: 619-231-6301
Email: adoddapaneni@bridgehousing.com

General partner(s) or principal owner(s): BRIDGE SC, LLC
General Partner Type: Nonprofit
Developer: BRIDGE Housing Corporation
Consultant: Community Economics
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 121
No. & % of Tax Credit Units: 120 100%
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: 60
Number of Units @ or below 60% of area median income: 60

Bond Information

Issuer: Housing Authority of the City of San Diego
 Expected Date of Issuance: December 10, 2012
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

60 SRO/Studio Units
 61 1-Bedroom Units

 121 Total Units

Unit Type & Number	2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
49 SRO/Studio	50%	40%	\$563
11 SRO/Studio	50%	47%	\$656
60 1 Bedroom	60%	60%	\$899
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$39,667,667
 Estimated Residential Project Cost: \$39,667,667

Residential

Construction Cost Per Square Foot: \$214
 Per Unit Cost: \$327,832

Construction Financing

Source	Amount
US Bank	\$22,000,000
City of San Diego	\$13,354,494
Land Donation	\$1,851,537
Tax Credit Equity	\$600,000

Permanent Financing

Source	Amount
US Bank	\$1,595,000
City of San Diego	\$19,080,747
Land Donation	\$1,851,537
Photovoltaic Credit Equity	\$110,118
Deferred Developer Fee	\$700,000
Tax Credit Equity	\$16,330,265
TOTAL	\$39,667,667

Determination of Credit Amount(s)

Requested Eligible Basis:	\$35,900,181
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$46,670,235
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$1,493,447
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.09346

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:	\$35,900,181
Actual Eligible Basis:	\$35,900,181
Unadjusted Threshold Basis Limit:	\$24,664,233
Total Adjusted Threshold Basis Limit:	\$38,237,135

Adjustments to Basis Limit:

Local Development Impact Fees
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 50%

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: The applicant requested and was granted a waiver to use fiberglass faced doors in replacement of the requirements described in TCAC regulation section 10325(f)(7)(e).

Local Reviewing Agency:

The Local Reviewing Agency, the San Diego Housing Commission, 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
\$1,493,447	\$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 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 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: 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 becoming certified under the following program:
Leadership in Energy & Environmental Design (LEED)
- The project commits to build the development 17.5% above Title 24 standards.
- The project commits to build the development to the requirements of LEED Silver.