

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 16, 2008

Project Number CA-2008-826

Project Name Kentfield Apartments
Address: 4545 Kentfield Road
Stockton, CA 95207

County: San Joaquin

Applicant Information

Applicant: BRIDGE Housing Corporation
Contact: Lisa Grady
Address: 345 Spear Street, Suite 700
San Francisco, CA 94105
Phone: (415) 989-1111
Sponsors Type: Nonprofit

Fax: (415) 495-4898

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: May 2008
Credit Enhancement: None

Eligible Basis

Actual: \$9,013,639
Requested: \$9,013,639
Maximum Permitted: \$16,433,335

Extra Feature Adjustments: None

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$421,838	\$0
Recommended:	\$421,838	\$0

Project Information

Construction Type: Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 90
Total # Residential Buildings: 3

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 89 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 29
Number of Units @ or below 60% of area median income: 60

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 Single Room Occupancy	44%	\$468
2 Single Room Occupancy	54%	\$580
8 One-Bedroom	46%	\$527
13 One-Bedroom	54%	\$622
19 Two-Bedroom	46%	\$641
33 Two-Bedroom	54%	\$746
5 Three-Bedroom	51%	\$805
7 Three-Bedroom	54%	\$861
1 Three-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) are BRIDGE Tower LLC.

The project developer is BRIDGE Housing Corporation.

The management services will be provided by The John Stewart Company.

The market analysis was provided by Laurin Associates.

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

Project Financing

Estimated Total Project Cost: \$16,760,317 Per Unit Cost: \$186,226 Construction Cost Per Sq. Foot: \$76

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CitiBank - Tax Exempt Bonds	\$8,000,000	CitiBank - Tax Exempt Bonds	\$2,219,000
City of Stockton	\$7,271,201	City of Stockton	\$9,779,659
S.H. Cowell Foundation	\$250,000	S.H. Cowell Foundation	\$250,000
		Accrued Interest	\$78,237
		General Partner Equity	\$526,357
		Investor Equity	\$3,907,064
		TOTAL	\$16,760,317

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$9,013,639
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$11,717,731
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$421,838
Approved Developer Fee:	\$1,175,692
Tax Credit Factor:	\$0.9262

Applicant requests and staff recommends annual federal credits of \$421,838, based on a qualified rehabilitation basis of \$11,717,731, and a funding shortfall of \$3,907,064.

Cost Analysis and Line Item Review

The requested eligible basis \$9,013,639 is below TCAC's adjusted threshold basis limit \$16,433,335. The basis limit includes no adjustments. 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 3.60% 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	State/Total
\$421,838	\$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: None

Project Analyst: GF