

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

Project Number CA-2008-860

Project Name Armstrong Place Senior Housing
Address: 5600 Third Street
San Francisco, CA 94124

County: San Francisco

Applicant Information

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

Fax: (415) 495-4898

Bond Information

Issuer: San Francisco Redevelopment Agency
Expected Date of Issuance: August 15, 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$36,022,863
Requested: \$36,022,863
Maximum Permitted: \$68,846,401

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%

Parking Beneath Residential Units: 7%

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 100%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,260,800	\$0
Recommended:	\$1,260,800	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt / HUD 202
HCD MHP Funding: No
Total # of Units: 116
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 115 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 115
Number of Units @ or below 60% of area median income: 0

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 SRO/Studio	40%	\$619
32 One-Bedroom	40%	\$661
71 One-Bedroom	50%	\$285
1 Two-Bedroom	Manager's Unit	\$1,465

The general partner or principal owner is BRIDGE Housing Corporation.

The project developer is BRIDGE Housing Corporation.

The management services will be provided by BRIDGE Property Management Company.

The market analysis was provided by Lauren Associates.

The Local Reviewing Agency, the San Francisco Redevelopment Agency, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$38,904,448 Per Unit Cost: \$335,383 Construction Cost Per Sq. Foot: \$410

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank – Tax Ex. Bonds	\$24,000,000	HCD – T.O.D. Loan	\$9,106,517
San Francisco Redev. Agency	\$11,551,174	San Francisco RDA	\$7,211,171
FHLB – AHP	\$1,000,000	FHLB – AHP	\$1,000,000
Enterprise Green Communities-Grant	\$50,000	EGC – Grant	\$50,000
Investor Equity	\$250,000	Sponsor Loan of HUD 202 Advance	\$9,735,200
		GP Capital	\$1,560
		Investor Equity	\$11,800,000
		TOTAL	\$38,904,448

Determination of Credit Amount(s)

Requested Eligible Basis:	\$36,022,863
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$36,022,863
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$1,260,800
Approved Developer Fee in Project Cost:	\$1,400,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Tax Credit Factor: Hudson Housing Capital	\$0.93591

Applicant requests and staff recommends annual federal credits of \$1,260,800 based on a qualified basis of \$36,022,863 and a funding shortfall of \$11,800,000.

Cost Analysis and Line Item Review

The requested eligible basis \$36,022,863 is below TCAC's adjusted threshold basis limit \$68,846,401. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, and the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitation with the exception of the contractor overhead, profit and general requirement costs and eligible basis as explained in the Special Issues section of this report below.

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: 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
\$1,260,800	\$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: Jack Waegell