

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 20, 2011**

Project Number CA-2011-857

Project Name Pinole Grove Senior Housing
Site Address: 800 John Street
Pinole, CA 94564 County: Contra Costa
Census Tract: 3591.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$260,072	\$0
Recommended:	\$260,072	\$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): John Street Housing, LLC
General Partner Type: Nonprofit
Developer: BRIDGE Housing Corporation
Investor/Consultant: Wells Fargo - Wachovia Securities
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 70
No. & % of Tax Credit Units: 69 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / CDBG
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 36
Number of Units @ or below 60% of area median income: 33

Bond Information

Issuer: Contra Costa County
 Expected Date of Issuance: August 1, 2011
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: North & East Bay Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

56 1-Bedroom Units
 14 2-Bedroom Units

 70 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>
30 1 Bedroom	50%	36%	\$610
26 1 Bedroom	60%	43%	\$720
6 2 Bedrooms	50%	36%	\$741
7 2 Bedrooms	60%	42%	\$853
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$8,229,827
 Estimated Residential Project Cost: \$8,229,827

Residential

 Construction Cost Per Square Foot: \$65
 Per Unit Cost: \$117,569

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Financial National Bank	\$4,300,000	California Community Reinv. Corp.	\$1,394,000
Contra Costa County CDBG	\$700,000	Contra Costa County CDBG	\$700,000
City of Pinole RDA - Recast per OID	\$360,377	City of Pinole RDA-Recast per OID	\$360,377
Contra Costa HOME/CDBG-Recast OID	\$0 *	Contra Costa Co. - Recast per OID	\$0 *
BRIDGE Seller Takeback Loan	\$2,097,530	BHVI Seller Loan	\$400,000
Tax Credit Equity	\$143,213	BRIDGE Seller Takeback Loan	\$2,097,530
		General Partner Equity	\$41,449
		FHLB - AHP	\$700,000
		Equity from Photovoltaic Credit	\$81,058
		Tax Credit Equity	\$2,455,413
		TOTAL	\$8,229,827

* See Special Issues section below

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,086,625
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,562,552
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,086,625
Qualified Basis (Acquisition):	\$3,562,552
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$138,945
Maximum Annual Federal Credit, Acquisition:	\$121,127
Total Maximum Annual Federal Credit:	\$260,072
Approved Developer Fee (in Project Cost & Eligible Basis):	\$638,324
Investor/Consultant:	Wells Fargo - Wachovia Securities
Federal Tax Credit Factor:	\$0.94413

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:	\$7,649,177
Actual Eligible Basis:	\$7,649,177
Unadjusted Threshold Basis Limit:	\$17,933,832
Total Adjusted Threshold Basis Limit:	\$29,052,808

Adjustments to Basis Limit:

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: 52%

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: This application is for the re-syndication of an existing 9% tax credit project, CA-1993-040, which originally placed-in-service on September 27, 1994.

The City of Pinole and County of Contra Costa loans, \$900,000 and \$400,000 respectively, that were made to the project in 1993/1994 when it was originally built, are being restructured and assumed as part of this rehabilitation project. The \$360,377 shown in the financing as City of Pinole RDA funds represents the combined City and County (shown as \$0 in the financing) tax-treatment present value of the original issue debt, extended to a new 55-year term at the Federal funds rate. The \$360,377 tax-treatment figure is also based in part on the tax treatment of the \$2,097,530 BRIDGE seller takeback loan. The City has approved the assumption of the City loan and the forgiveness of the accrued interest. The applicant anticipates that the County will also approve these measures for their original loan.

This rehabilitation project has received waivers from TCAC for some of the minimum construction standards as supported by the Capital Needs Assessment as follows: 1) roofs - no replacement necessary/proposed; 2) Energy Star rated appliances - only the portion of appliances that are replaced as part of the rehabilitation will meet the standard; 3) window coverings - all units have existing window coverings that are not part of the planned rehabilitation; 4) floor coverings - only the portion of the flooring that is being replaced as part of the rehabilitation will meet the standard.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Pinole Community Development Department, has completed a site review of this project and 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
\$260,072	\$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.