



HOUSING PRESERVATION NEWS

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St. Joseph's Senior Apartments Groundbreaking: Historic Rehabilitation Through Tax Credit Financing



Project Background

Today marks the groundbreaking for St. Joseph's Senior Apartments in Oakland, California, which is good news for low income seniors, historic preservationists and the surrounding community. When completed in June 2011, St. Joseph's will consist of 84 affordable apartments for low and very low-income seniors including a manager's unit. This BRIDGE Housing development, which is part of a larger historic adaptive reuse project, will also include approximately 3,200 square feet of ground floor commercial space for office uses compatible with senior housing. A second phase that will provide affordable housing for families is in the planning stages.

Originally built in 1912 by the Little Sisters of the Poor as a convalescent home for the elderly, the St. Joseph's property has changed owners and accommodated several different uses. For the past twenty years, the site has housed a variety of non-profit offices, small medical and dental offices and more recently government offices. Despite the numerous physical changes made over several decades, the historic architectural character of the primary buildings and the site has remained largely unchanged.

In 2006, BRIDGE saw the opportunity to leverage St. Joseph's as an underutilized asset in the Coliseum Redevelopment Area to create affordable infill housing, while also preserving and preventing the loss of a significant historic landmark. After purchasing the property with conventional bank loans, BRIDGE worked with an outside property manager to continue to lease and manage the commercial office space, while also preparing for redevelopment. *(continued on next page)*

“We had the twin challenges of, on the one hand, needing to get rental income from the property because we had existing debt and operating costs, but on the other hand, we needed to have the commercial tenants move out so we could start redevelopment activities. The biggest challenge was balancing both of those activities and also adhering to the timeline because we had to get through all the approvals to get the project under construction.” said Smitha Seshadri, Project Manager at BRIDGE.

In addition to the challenge of relocating existing tenants, the extensive seismic upgrades needed for the unreinforced brick building created a jump in construction costs that prompted BRIDGE to seek Historic tax credits to fill the gap. BRIDGE then worked to secure local approvals from the Planning Commission, the Landmarks Preservation Board and the Oakland Heritage Alliance to ensure that any improvements would not cause “adverse impacts” and would maintain the building’s historic character. The initial local approvals were followed by a similar approval process with the National Park Service, and eventually resulted in the nomination of St. Josephs to the National Register of Historic Places. In the final design, BRIDGE retained most of the buildings in the complex, along with a few heritage palm trees and a historic iron picket fence along International Boulevard.

Financing Challenges: The PMIB freeze of 2009

Structured as a 4% Low Income Housing Tax Credit (LIHTC) transaction in combination with a loan from the state Multifamily Housing Program (MHP), St. Joseph’s was one of many projects that got caught in the state credit crisis when the state stopped issuing bonds in late 2008 even for projects that had existing commitments. Seshadri recalls how the state freeze, coupled with the financial meltdown in late 2008, presented an enormous challenge for BRIDGE, and CHPC as its consultant:

“That was a huge hurdle. We had everything else in place...our tax credits, our building permit. We had everything to start construction, but we couldn’t because our lender wouldn’t come to the table. And it wasn’t just *our* lender, it was *all* the lenders.”

Congress and the State Come to the Rescue

After several months of uncertainty and fierce advocacy efforts led by CHPC and a coalition of California housing organizations including BRIDGE and the NonProfit Housing Association of Northern California (NPH), Congress agreed to include a new Tax Credit Assistance Program and related Tax Credit Exchange Program in the American Recovery and Reinvestment Act (ARRA), which passed in February 2009. By March of that year, BRIDGE learned from the California Tax-Credit Allocation Committee (TCAC) that projects that were “shovel ready” would get priority in the competition for ARRA funds, through a newly created MHP Backstop program.

“We were on tender hooks for a long time,” said Richard Mandel, CHPC Director of Financial Consulting. “I submitted more CDLAC applications to keep this project alive than any other project I’ve ever worked on. What saved it was TCAC’s creation of the MHP Backstop using the new ARRA resources and BRIDGE’s ability to demonstrate that St. Joseph’s should be on the short list of beneficiaries when the awards were made in August of 2009.”

The Critical Role of Private and Local Financing Partners

With the MHP Backstop in place along with an allocation of 4% Tax Credits, US Bank stepped up to provide a tax-exempt construction bond loan. Union Bank also played a large role in the project’s success by maintaining its strong tax credit equity pricing over a long period, this at a time when other LIHTC investors were forced to renege on favorable pricing and terms.

But nothing would have happened without the multifaceted support from local government agencies. The City of Oakland and the Oakland Redevelopment Agency contributed over \$100,000 per unit in gap financing combined and the Oakland Housing Authority came up with an equally critical contract for project based Section 8 vouchers.

SOURCES	Construction	Permanent
Tax-Exempt Loan – US Bank	19,537,631	4,099,265
City of Oakland RDA	3,876,000	4,639,000
City of Oakland	3,891,000	3,991,000
FHLB Affordable Housing Program (AHP)	-	415,000
HCD Multifamily Housing Program (MHP)	-	7,088,604
Costs Deferred Until Permanent Loan Closing	1,065,954	-
TCAP MHP Backfill Loan	5,316,452	-
General Partner – CALReUse	999,110	999,110
Foundation Grants	150,000	150,000
Deferred Dev. Fee	575,000	575,000
Capital Contributions		
General Partner	850,000	850,000
Limited Partner – Union Bank	1,549,908	15,004,076
Total Sources	37,811,055	37,811,055
USES	Construction	Permanent
Land and Structures	7,372,504	7,372,504
Hard Costs	20,903,165	20,903,165
Architecture and Engineering	3,864,343	3,864,343
Financing	2,263,460	2,263,460
Reserves	432,082	432,082
Other Costs	475,501	475,501
Developer Fee	2,500,000	2,500,000
Total Uses	37,811,055	37,811,055

Other sources of financing included catalytic grants from the Northern California Community Loan Fund and the Haas Jr. Fund, a CALReUse grant and an Affordable Housing Program loan from the Federal Home Loan Bank. Combining all of these resources, BRIDGE was able to rehabilitate and develop the historic development with deep affordability, resulting in 83 affordable senior apartments, with nine units targeting seniors at 30% of AMI, 67 units at 35% of AMI, and seven units at 50% AMI.

Upon occupancy in June 2011, the residents of St. Joseph’s Senior Apartments will benefit from the high frequency of AC Transit buses, several food markets/grocery stores, pharmacies and restaurants within a one-mile radius of the site. The neighborhood is also conveniently located less than half a mile from Unity Council’s Fruitvale Village Senior Center, where full-day service programs serve a diverse group of seniors. CHPC congratulates BRIDGE on their success in restoring a rare historic landmark while also creating much needed affordable housing for low-income seniors in the community.

**PRESERVATION SERVICES FOR NONPROFIT
AND LOCAL GOVERNMENT STAFF**

CHPC provides financial consulting, technical assistance, and training to help nonprofit and government agencies build and preserve affordable homes for California families and seniors. For more information, please contact our Housing Policy Manager, Marilyn Wacks at mwacks@chpc.net or 415-433-6804x13.



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