CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 18, 2017

Mt. Rubidoux Manor, located at 3993 10th Street in Riverside, requested and is being recommended for a reservation of $1,178,590 in annual federal tax credits to finance the acquisition and rehabilitation of 186 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Beacon Communities, Inc. and will be located in Senate District 31 and Assembly District 61.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-17-785

Project Name Mt. Rubidoux Manor
Site Address: 3993 10th Street
Riverside, CA 92501 County: Riverside
Census Tract: 303.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,178,590	$0
Recommended:	$1,178,590	$0

Applicant Information

Applicant:	Mt. Rubidoux Manor, L.P.
Contact:	Ancel Romero
Address:	6120 Stoneridge Mall Rd., 3rd Floor Pleasanton, CA 94588
Phone:	(925) 924-7197 Fax: (925) 924-7233
Email:	aromero@beaconcommunities.org

General Partner(s) or Principal Owner(s):	Mt. Rubidoux Manor LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Beacon Communities Inc.
Developer:	Beacon Communities Inc.
Investor/Consultant:	Community Economics, Inc
Management Agent:	Beacon Communities Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	188
No. & % of Tax Credit Units:	186 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / Section 8 Project-Based Contract (170 units - 90%) / HOME
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 19

Number of Units @ or below 60% of area median income: 167

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	November 1, 2017
Credit Enhancement:	None

Information

Housing Type:	Seniors
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	Carmen Doonan

Unit Mix

135	SRO/Studio Units
52	1-Bedroom Units
1	2-Bedroom Units
188	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14	SRO/Studio	50%	50%	$565
64	SRO/Studio	60%	56%	$635
27	SRO/Studio	60%	60%	$678
21	SRO/Studio	60%	60%	$678
2	SRO/Studio	60%	60%	$678
7	SRO/Studio	60%	60%	$678
5	1 Bedroom	50%	50%	$605
16	1 Bedroom	60%	60%	$726
23	1 Bedroom	60%	60%	$726
7	1 Bedroom	60%	60%	$726
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $41,906,700

Project Cost Summary at Application

Land and Acquisition	$12,036,400
Construction Costs	$0
Rehabilitation Costs	$11,068,498
Construction Contingency	$1,660,275
Relocation	$1,100,000
Architectural/Engineering	$694,289
Const. Interest, Perm. Financing	$1,629,851
Legal Fees, Appraisals	$45,000
Reserves	$1,169,106
Other Costs	$586,335
Developer Fee	$4,030,401
Commercial Costs	$0
Total	**$34,020,155**

Project Financing

Estimated Total Project Cost:	$34,020,155
Estimated Residential Project Cost:	$34,020,155
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$100
Per Unit Cost:	$180,958
True Cash Per Unit Cost*:	$116,086

Construction Financing

Source	Amount
Citibank	$20,000,000
Seller Carryback Loan	$10,402,410
Seller Carryback Accrued Interest	$486,539
City of Riverside - HOME	$200,000
City of Riverside Loan (Assumed)	$32,400
General Partner Contribution	$342,484
Tax Credit Equity	$2,000,000

Permanent Financing

Source	Amount
Citibank	$9,500,000
Seller Carryback Loan	$10,402,410
Seller Carryback Accrued Interest	$486,539
City of Riverside - HOME	$200,000
City of Riverside Loan (Assumed)	$32,400
General Partner Contribution	$342,484
Net Operating Income	$200,000
Deferred Developer Fee	$1,307,000
Tax Credit Equity	$11,549,322
TOTAL	**$34,020,155**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$17,885,883
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$13,013,860
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$23,251,648
Qualified Basis (Acquisition):	$13,013,860
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$755,640
Maximum Annual Federal Credit, Acquisition:	$422,950
Total Maximum Annual Federal Credit:	$1,178,590
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,030,401
Investor/Consultant:	Community Economics, Inc
Federal Tax Credit Factor:	$0.97993

Per Regulation Section 10327(c)(6), 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:	$30,899,743
Actual Eligible Basis:	$30,899,743
Unadjusted Threshold Basis Limit:	$39,867,330
Total Adjusted Threshold Basis Limit:	$43,854,063

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 3.25% 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
Staff noted that 6 units currently have tenants who are over-income. At placed-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

Local Reviewing Agency
The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
$1,178,590	**$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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.