

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 21, 2012**

Project Number CA-2012-818

Project Name Redlands Lugonia Revitalization (Lugonia Avenue Apartments)
Site Address: 131 East Lugonia
Redlands, CA 92374 County: San Bernardino
Census Tract: 80.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,156,077	\$0
Recommended:	\$1,156,077	\$0

Applicant Information

Applicant: Housing Partners I, Inc.
Contact: Susan Benner
Address: 715 E. Brier Dr.
San Bernardino, CA 92408
Phone: 909-890-0644 Fax: 909-890-4618
Email: sbenner@hacsb.com

General partner(s) or principal owner(s): Housing Partners I, Inc.
Housing Authority of the County of San Bernardino
General Partner Type: Nonprofit
Developer: Housing Partners I, Inc. / HACSB
Investor/Consultant: Fred Consulting Associates
Management Agent: Housing Authority of the County of San Bernardino

Project Information

Construction Type: New Construction
Total # Residential Buildings: 13
Total # of Units: 85
No. & % of Tax Credit Units: 84 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (100% / 84 units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 27
Number of Units @ or below 60% of area median income: 57

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 3.20% 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 project is the first phase of the Housing Authority of the County of San Bernardino's redevelopment of the Redlands Public Housing site, involving the replacement of public housing built between 1943 and 1961 with a new community. When completed, this community will be a mix of this affordable 85-unit tax credit project, a second tax credit project, and for-sale single-family homes for families between 80% and 120% of area median income.

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
\$1,156,077	\$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.

Bond Information

Issuer: Housing Authority of the County of San Bernardino
 Expected Date of Issuance: June 1, 2012
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

4 1-Bedroom Units
 28 2-Bedroom Units
 32 3-Bedroom Units
 21 4-Bedroom Units

 85 Total Units

Unit Type & Number	2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	50%	50%	\$628
3 1 Bedroom	60%	60%	\$753
9 2 Bedrooms	50%	50%	\$753
18 2 Bedrooms	60%	60%	\$904
10 3 Bedrooms	50%	50%	\$871
22 3 Bedrooms	60%	60%	\$1,045
7 4 Bedrooms	50%	50%	\$972
14 4 Bedrooms	60%	60%	\$1,167
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$29,619,171
 Estimated Residential Project Cost: \$29,619,171

Residential

Construction Cost Per Square Foot: \$194
 Per Unit Cost: \$348,461

Construction Financing

Permanent Financing

Source	Amount	Source	Amount
JPMorgan Chase - Tax Ex. Bonds	\$18,000,000	JPMorgan Chase - Tax Ex. Bonds	\$10,400,000
Housing Partners I	\$4,600,000	Housing Partners I	\$4,600,000
HACSB Loan	\$1,000,000	HACSB Loan	\$1,000,000
Federal Home Loan Bank AHP	\$840,000	Federal Home Loan Bank AHP	\$840,000
Post Construction Sources	\$2,679,171	Deferred Developer Fee	\$1,334,021
Tax Credit Equity	\$2,500,000	Tax Credit Equity	\$11,445,150
		TOTAL	\$29,619,171

Determination of Credit Amount(s)

Requested Eligible Basis:	\$27,793,061
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$36,130,979
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$1,156,077
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Fred Consulting Associates
Federal Tax Credit Factor:	\$0.99000

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:	\$27,793,061
Actual Eligible Basis:	\$27,793,061
Unadjusted Threshold Basis Limit:	\$21,916,390
Total Adjusted Threshold Basis Limit:	\$34,932,819

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 32%

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.