

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 Second Round
September 23, 2015

Bloomington Housing Phase II, located at 18026 Valley Boulevard in Bloomington, CA, requested and is being recommended for a reservation of \$2,036,658 in annual federal tax credits to finance the new construction of 83 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Related Development Company and will be located in Senate District 20 and Assembly District 47.

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

Project Number CA-15-140

Project Name Bloomington Housing, Phase II
 Site Address: 18026 Valley Boulevard
 Bloomington, CA 92316 County: San Bernardino
 Census Tract: 33.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,036,658	\$0
Recommended:	\$2,036,658	\$0

Applicant Information

Applicant: Bloomington II Housing Partners, L.P.
 Contact: Frank Cardone
 Address: 18201 Von Karman Avenue, Suite 900
 Irvine, CA 92612
 Phone: 949-660-7272 Fax: 949-660-7273
 Email: fcardone@related.com

General Partner(s) / Principal Owner(s): Related/Bloomington II Development Co., LLC
 LaBarge Industries
 HPI Bloomington II, LLC

General Partner Type: Joint Venture

Parent Company(ies): The Related Companies of California
 LaBarge Industries
 Housing Partners I, Incorporated

Developer: Related Development Company California, LLC

Investor/Consultant: US Bancorp

Management Agent(s): John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 9
 Total # of Units: 84
 No. & % of Tax Credit Units: 83 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: NSP3 / HUD Project-Based Section 8 Vouchers (20 Units - 24%)
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 9 10 %
 40% AMI: 17 20 %
 50% AMI: 34 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

8 1-Bedroom Units
 44 2-Bedroom Units
 32 3-Bedroom Units

 84 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$349
2 1 Bedroom	40%	40%	\$466
4 1 Bedroom	50%	50%	\$582
1 1 Bedroom	60%	60%	\$699
4 2 Bedrooms	30%	30%	\$419
2 2 Bedrooms	40%	40%	\$559
7 2 Bedrooms	40%	40%	\$559
17 2 Bedrooms	50%	50%	\$698
13 2 Bedrooms	60%	60%	\$838
4 3 Bedrooms	30%	30%	\$484
6 3 Bedrooms	40%	40%	\$646
4 3 Bedrooms	50%	50%	\$807
9 3 Bedrooms	50%	50%	\$807
9 3 Bedrooms	60%	60%	\$969
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,802,475
Construction Costs	\$19,412,672
Rehabilitation Costs	\$0
Construction Contingency	\$1,489,136
Relocation	\$0
Architectural/Engineering	\$2,035,500
Construction Interest, Perm Financing	\$1,568,333
Legal Fees, Appraisals	\$215,000
Reserves	\$577,991
Other Costs	\$3,372,773
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$34,473,879

Project Financing

Estimated Total Project Cost:	\$34,473,879
Estimated Residential Project Cost:	\$34,473,879

Residential

Construction Cost Per Square Foot:	\$239
Per Unit Cost:	\$410,403

Construction Financing

Source	Amount
Union Bank	\$17,137,146
County of San Bernardino - Grant	\$2,641,889
County of San Bernardino - Loan	\$5,480,300
County of San Bernardino - Land	\$2,451,111
Capitalized Land Lease - NSP3	\$908,889
Deferred Operating Reserves	\$177,990
Deferred Supplemental Reserves	\$400,000
Deferred Developer Fee	\$1,000,000
Tax Credit Equity	\$4,276,554

Permanent Financing

Source	Amount
Union Bank - Tranche B	\$1,000,000
County of San Bernardino - Grant	\$2,641,889
County of San Bernardino - Loan	\$6,089,222
County of San Bernardino - Land	\$2,451,111
Capitalized Land Lease - NSP3	\$908,889
Tax Credit Equity	\$21,382,768
TOTAL	\$34,473,879

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,372,689
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,484,496
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$2,036,658
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	US Bancorp
Federal Tax Credit Factor:	\$1.04990

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:	\$20,372,689
Actual Eligible Basis:	\$28,580,124
Unadjusted Threshold Basis Limit:	\$20,736,432
Total Adjusted Threshold Basis Limit:	\$26,406,774

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	53.031%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final

Special Issues/Other Significant Information: None.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, the County of San Bernardino, has completed a site review of this project and strongly 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
\$2,036,658	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of public library	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of public elementary school	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr	7	7	7
After school program for school age children, minimum of 10 hrs/wk	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint	5	5	5
Develop project to requirements of: GreenPoint Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.