

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Bloomington Housing Phase III, located at 17906 Valley Boulevard in Bloomington, requested \$2,010,681 in annual federal tax credits and \$6,702,271 in total state tax credits but is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$508,979 in total state tax credits (**See Significant Information / Additional Conditions below**) to finance the new construction of 97 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 of California, LLC 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. The project financing includes state funding from SNHP through CalHFA.

Project Number CA-19-059

Project Name Bloomington Housing Phase III
Site Address: 17906 Valley Boulevard
Bloomington, CA 92316 County: San Bernardino
Census Tract: 33.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,010,681	\$6,702,271
Recommended:	\$2,500,000	\$508,979

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Bloomington III Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Ave. Suite 900
Irvine, CA 92612
Phone: (949) 660-7272
Email: Fcardone@related.com

General Partner(s) / Principal Owner(s):	Related/Bloomington III Development Co., LLC LBI Valley Bloomington LLC HPI Bloomington III, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	The Related Companies of California, LLC LaBarge Industries, LLC Housing Partners I, Incorporated
Developer:	Related Development Company of California, LLC
Investor/Consultant:	U.S. Bancorp Community Development Corp.
Management Agent(s):	John Stewart Company

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	8
Total # of Units:	98
No. & % of Tax Credit Units:	97
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	HOME / HUD Section 8 Project-based Vouchers (20 units - 21%)
Utility Allowance:	CUAC

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	23
At or Below 40% AMI:	15
At or Below 50% AMI:	10
At or Below 60% AMI:	49

Unit Mix

13 1-Bedroom Units
59 2-Bedroom Units
26 3-BedroomUnits
98 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
13 1 Bedroom	30%	30%	\$404
7 2 Bedrooms	30%	29%	\$470
9 2 Bedrooms	40%	40%	\$647
7 2 Bedrooms	50%	50%	\$808
35 2 Bedrooms	60%	60%	\$970
3 3 Bedrooms	30%	30%	\$560
6 3 Bedrooms	40%	40%	\$747
3 3 Bedrooms	50%	50%	\$933
14 3 Bedrooms	60%	60%	\$1,120
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,983,500
Construction Costs	\$26,436,898
Rehabilitation Costs	\$0
Construction Contingency	\$1,536,020
Relocation	\$0
Architectural/Engineering	\$2,003,000
Const. Interest, Perm. Financing	\$1,704,000
Legal Fees	\$310,000
Reserves	\$557,997
Other Costs	\$4,269,000
Developer Fee	\$2,100,000
Commercial Costs	\$2,100,000
Total	\$48,000,414

Residential

Construction Cost Per Square Foot:	\$299
Per Unit Cost:	\$468,372
True Cash Per Unit Cost*:	\$402,995

Construction Financing

Source	Amount
U.S. Bank N.A.	\$22,638,447
CalHFA - SNHP	\$1,574,810
County of San Bernardino Loan ¹	\$8,850,000
County of San Bernardino Grant ²	\$8,700,000
County of San Bernardino ³	\$2,100,000
Deferred Developer Fee	\$1,050,000
Deferred Operating Decifit Reserve	\$207,997
Deferred TCAC Monitoring Fee	\$40,000
Deferred Cash Flow Deficit Reserve	\$100,000
Deferred Reserves	\$250,000
Tax Credit Equity	\$2,489,160

Permanent Financing

Source	Amount
U.S. Bank N.A.	\$1,107,000
U.S. Bank N.A. - Tranche B	\$386,000
U.S. Bank N.A. - Tranche C	\$391,000
CalHFA - SNHP	\$1,574,810
County of San Bernardino Loan ¹	\$8,850,000
County of San Bernardino Grant ²	\$8,700,000
County of San Bernardino ³	\$2,100,000
Tax Credit Equity	\$24,891,604
TOTAL	\$48,000,414

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

¹\$3,500,000 in HOME funds & \$5,350,000 County Loan

²\$500,000 Tax exempt bond proceeds, \$1,500,000 Inland Empire Health Program (IEHP) Grant funds, and \$6,700,000 land grant

³County Funding for Non-Residential Park Community Center

Determination of Credit Amount(s)

Requested Eligible Basis:	\$27,777,778
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,778
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$508,979
Approved Developer Fee in Project Cost:	\$2,100,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	U.S. Bancorp Community Development Corp.
Federal Tax Credit Factor:	\$0.97990
State Tax Credit Factor:	\$0.77420

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$27,777,778
Actual Eligible Basis:	\$36,114,419
Unadjusted Threshold Basis Limit:	\$29,762,859
Total Adjusted Threshold Basis Limit:	\$37,769,036

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	65.792%

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 meet or 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 9.0% 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 allocation.

Significant Information / Additional Conditions

Staff determined the project did not meet the requirement of TCAC Regulations Section 10317(c) for reducing basis related to federal tax credits. As allowed in TCAC Regulations, staff revised the basis and credits request to meet the requirement resulting in an increase to the annual federal credit request and decrease in total state credits.

Projects with funding and/or subsidy from HUD are required to use Utility Allowances approved by the Public Housing Authority (PHA). The applicant's use of the CUAC for Bloomington Housing Phase III (CA-19-059) is subject to approval by the PHA.

Resyndication and Resyndication Transfer Event: 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, County of San Bernardino, has completed a site review of this project and strongly supports this project.

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 fifteen 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)(5) 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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 transit (van 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	3	3	3
Within ½ mile of public library	3	3	3
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¾ 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	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	113	113	113

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.