CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

Beautiful Light Inn, located at 1365 North Waterman Avenue in San Bernardino, requested and is being recommended for a reservation of $572,858 in annual federal tax credits to finance the acquisition and rehabilitation of 99 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Reiner Communities and is located in Senate District 23 and Assembly District 40.

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

Project Number	CA-17-764	
Project Name	Beautiful Light Inn	
Site Address:	1365 North Waterman Ave	
	San Bernardino, CA 92404	County: San Bernardino
Census Tract:	63.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$572,858	$0
Recommended:	$572,858	$0

Applicant Information

Applicant:	BLI Affordable, LP	
Contact:	Sean Burrowes	
Address:	100 Spectrum Center Drive, Suite 830	
	Irvine, CA 92618	
Phone:	949-753-0555	Fax: 949-753-7590
Email:	sb@reinerllc.com	

General Partner(s) or Principal Owner(s):	AHCDC BLI LLC
	BLP ALP LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Affordable Housing CDC, Inc.
	Reiner Communities
Developer:	Reiner Communities
Investor/Consultant:	MUFG Union Bank, NA
Management Agent:	LOMCO

Project Information

Construction Type: Acquisition & Rehabilitatio
Total # Residential Buildings: 1
Total # of Units: 100
No. & % of Tax Credit Units: 99 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (99 Units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 20
Number of Units @ or below 60% of area median income: 79

Bond Information

Issuer: CalPFA
Expected Date of Issuance: August 15, 2017
Credit Enhancement: N/A

Information

Housing Type: Seniors
Geographic Area: Inland Empire Region
TCAC Project Analyst: Diane SooHoo

Unit Mix

99	1-Bedroom Units
1	2-Bedroom Units
100	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20	1 Bedroom	50%	50%	$605
79	1 Bedroom	60%	60%	$726
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Projected Lifetime Rent Benefit: $6,497,700

Project Cost Summary at Application

Land and Acquisition	$11,847,938
Construction Costs	$0
Rehabilitation Costs	$4,303,798
Construction Contingency	$393,686
Relocation	$115,000
Architectural/Engineering	$70,000
Const. Interest, Perm. Financing	$324,100
Legal Fees, Appraisals	$201,340
Reserves	$374,202
Other Costs	$492,354
Developer Fee	$2,061,372
Commercial Costs	$0
Total	**$20,183,790**

Project Financing

Estimated Total Project Cost:	$20,183,790
Estimated Residential Project Cost:	$20,183,790
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$78
Per Unit Cost:	$201,838
True Cash Per Unit Cost*:	$188,737

Construction Financing

Source	Amount
Citibank	$10,500,000
Seller Carryback Loan	$1,270,000
Purchased Reserves	$3,103,913
Deferred Developer Fee	$40,110
Tax Credit Equity	$4,742,790

Permanent Financing

Source	Amount
Citibank	$10,500,000
Seller Carryback Loan	$1,270,000
Purchased Reserves	$3,103,913
Deferred Developer Fee	$40,110
Tax Credit Equity	$5,269,767
TOTAL	**$20,183,790**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,075,225
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$9,728,625
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,897,792
Qualified Basis (Acquisition):	$9,728,625
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$256,678
Maximum Annual Federal Credit, Acquisition:	$316,180
Total Maximum Annual Federal Credit:	$572,858
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,061,372
Investor/Consultant:	MUFG Union Bank, NA
Federal Tax Credit Factor:	$0.91991

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:	$15,803,850
Actual Eligible Basis:	$15,803,850
Unadjusted Threshold Basis Limit:	$23,459,290
Total Adjusted Threshold Basis Limit:	$28,151,148

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: 20%

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: None.

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**
$572,858	**$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: None.