CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 17, 2018
REVISED

Pioneer Park Plaza, located at 555 North G Street and 560 North F Street in San Bernardino, requested and is being recommended for a reservation of $1,100,353 in annual federal tax credits to finance the acquisition and rehabilitation of 159 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Gung Ho - Partners, LLC and is located in Senate District 20 and Assembly District 47.

Pioneer Park Plaza is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Pioneer Park Plaza Apartments (CA-2000-890). See **Resyndication and Resyndication Transfer Event** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-18-708

Project Name Pioneer Park Plaza
Site Address: 555 North G Street and 560 North F Street
San Bernardino, CA 92410 County: San Bernardino
Census Tract: 57.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,100,353	$0
Recommended:	$1,100,353	$0

Applicant Information

Applicant:	Reliant - Valley, LP
Contact:	Joseph Moreno
Address:	601 California Street, Suite 1150 San Francisco, CA 94108
Phone:	415-692-0534
Email:	jmoreno@reliantgroup.com

General Partner(s) or Principal Owner(s):	Gung Ho - Valley, LLC Rainbow Housing Assistance Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	Gung Ho Partners, LLC Rainbow Housing Assistance Corporation
Developer:	Gung Ho - Partners, LLC
Investor/Consultant:	R4 Capital
Management Agent:	FPI Management Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 2
Total # of Units: 161
No. & % of Tax Credit Units: 159 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (159 units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 16
Number of Units @ or below 60% of area median income: 143

Bond Information

Issuer: California Public Finance Authority
Expected Date of Issuance: March 22, 2018

Information

Housing Type: Non-Targeted
Geographic Area: Inland Empire Region
TCAC Project Analyst: Diane SooHoo

Unit Mix

160	1-Bedroom Units
1	2-Bedroom Units
161	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	1 Bedroom	50%	52%	$628
8	1 Bedroom	50%	52%	$628
79	1 Bedroom	60%	60%	$726
64	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

TCAC-confirmed Projected Lifetime Rent Benefit: $51,825,840

Project Cost Summary at Application

Land and Acquisition	$17,612,311
Construction Costs	$0
Rehabilitation Costs	$9,183,025
Construction Contingency	$918,302
Relocation	$92,400
Architectural/Engineering	$132,000
Const. Interest, Perm. Financing	$1,745,948
Legal Fees, Appraisals	$61,100
Reserves	$535,945
Other Costs	$287,204
Developer Fee	$3,932,565
Commercial Costs	$0
Total	**$34,500,800**

Residential

Construction Cost Per Square Foot:	$105
Per Unit Cost:	$214,291
True Cash Per Unit Cost*:	$206,388

Construction Financing

Source	Amount
Pillar Financial - T.E. Bond	$17,000,000
Reliant CAP VIII - T.E. Bond	$4,000,000
Seller Credit	$89,726
Tax Credit Equity	$7,547,667

Permanent Financing

Source	Amount
Pillar Financial - T.E. Bond	$17,000,000
Reliant CAP VIII - T.E. Bond	$4,000,000
Seller Credit	$89,726
Net Operating Income	$1,356,440
Deferred Developer Fee	$1,272,253
Tax Credit Equity	$10,782,381
TOTAL	**$34,500,800**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,338,150
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$17,901,241
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$16,039,595
Qualified Basis (Acquisition):	$17,901,241
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$518,563
Maximum Annual Federal Credit, Acquisition:	$581,790
Total Maximum Annual Federal Credit:	$1,100,353
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,932,565
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$0.97990

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:	$30,239,391
Actual Eligible Basis:	$30,239,391
Unadjusted Threshold Basis Limit:	$37,740,000
Total Adjusted Threshold Basis Limit:	$41,514,000

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.

Significant Information / Additional Conditions

This project is under a Project-based Section 8 HAP Renewal Contract. Utility Allowances are determined by HUD.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2000-890). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement for the duration of the new regulatory agreement. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2000-890) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on the year in which the existing TCAC project (CA-2000-890) Pioneer Park Plaza Apartments was originally placed-in-service: year 2000. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for: 16 units at or below 50% AMI and 143 units at or below 60% AMI, provided that such hold harmless rents do not exceed the current tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

Resyndication of the project is concurrent with a Transfer Event with distribution of Net Project Equity. Rehabilitation scope of work shall include all of the Short Term Work in the amount of $85,551. In consideration of the Short Term Work requirement, the seller of the project will give a credit amount of at least $85,551. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency

The Local Reviewing Agency, City of San Bernardino, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions: None.