

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2009 Single Round
September 10, 2009**

Project Number CA-2009-195

Project Name Seasons at Compton
Site Address: 15810 S. Frailey Avenue
Compton, CA 90221
Census Tract: 5421.01

County: Los Angeles

Applicant Information

Applicant: LINC Housing Corporation
Contact: Suny Lay Chang
Address: 110 Pine Avenue, Suite 500
Long Beach, CA 90802
Phone: (562) 684-1108
Email: schang@linchousing.org
General Partner Type: Nonprofit

Fax: (562) 684-1137

Information

Set-Aside: N/A
Housing Type: Senior
Geographic Area: Los Angeles County

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,318,793	\$0
Recommended:	\$1,318,793	\$0

ARRA Award Amount

Federal Calculated Amount Requested: $(\$1,318,793 \times 10 \times \$0.12) = \$1,582,552$
State Calculated Amount Requested: \$0

Total Federal Award Recommended: \$1,582,552
Total State Award Recommended: \$0

Project Information

Construction Type: New Construction
Federal Subsidy: HOME
Total # of Units: 84
Total # Residential Buildings: 11
Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 83 units

Eligible Basis

Requested: \$11,271,735
Actual: \$12,621,598
Maximum Permitted: \$16,257,662

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Public Funds	20	20	20
<i>Owner / Management Characteristics</i> Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<i>Housing Needs</i> Maximum 10 points	10	10	10
<i>Site Amenities</i> Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Inner-city project within ½ mile of a full-scale grocery store with staples, fresh m & p	4	4	4
<input checked="" type="checkbox"/> Senior project within ½ mile of daily operated senior center or facility for seniors	2	2	2
<input checked="" type="checkbox"/> Within 1 mile of medical clinic or hospital	2	2	2
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<input checked="" type="checkbox"/> Bona fide Service Coordinator/Social Worker	5	5	5
<input checked="" type="checkbox"/> Direct client services available for Senior, SRO, or Special Needs projects	5	5	5
<i>Sustainable Building Methods</i> Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
<input checked="" type="checkbox"/> Construction Indoor Air Quality Management plan	2	2	2
<input checked="" type="checkbox"/> Project design incorporates Universal Design	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<i>Lowest Income</i> Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum 20 points	20	20	20
<i>State Credit Substitution</i> Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

First: Housing Type **Senior**
Second: Calculated Ratio per Regulation 10325(c)(10) **69.550%**

Unit Type & Number	2009 Rents % of Area Median Income (rounded)	Proposed Rent (including utilities)
7 One-bedroom Units	30%	\$445
17 One-bedroom Units	35%	\$520
44 One-bedroom Units	50%	\$743
2 Two-bedroom Units	30%	\$535
4 Two-bedroom Units	35%	\$624
9 Two-bedroom Units	50%	\$892
1 Two-bedroom Unit	Manager's Unit	\$0

The general partners or principal owners are LINC Housing Corporation and LINC Community Development Corporation.

The project developer is LINC Housing Corporation.

The management agent is Brackenhoff Property Management.

The market analyst is Prior & Associates.

The Local Reviewing Agency, the Community Development Commission of the County of Los Angeles, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$23,592,263 Per Unit Cost: \$280,860 Construction Cost Per Sq. Foot: \$151

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$8,780,000	US Bank	\$1,255,000
Community Development Commission of the County of Los Angeles (HOME)	\$3,398,319	Community Development Commission of the County of Los Angeles (HOME)	\$3,398,319
Community Development Commission of the County of Los Angeles (City of Industry)	\$3,000,000	Community Development Commission of the County of Los Angeles (City of Industry)	\$3,000,000
Los Angeles County fee waivers	\$117,207	Los Angeles County fee waivers	\$117,207
Community Redevelopment Agency of the City of Compton	\$800,000	Community Redevelopment Agency of the City of Compton	\$800,000
HCD Infill Infrastructure Grant	\$3,169,934	HCD Infill Infrastructure Grant	\$3,169,934
FHLB AHP	\$415,000	FHLB AHP	\$415,000
Weingart Foundation	\$350,000	Weingart Foundation	\$350,000
California Community Foundation Grant	\$100,000	California Community Foundation Grant	\$100,000
Enterprise Community Partners Green Communities Grant	\$75,000	Enterprise Community Partners Green Communities Grant	\$75,000
Home Depot Foundation Grant	\$97,700	Home Depot Foundation Grant	\$97,700
Deferred costs and fees	\$584,455	TCAC ARRA Award	\$1,582,552
TCAC ARRA Award and Investor Equity	\$2,704,648	Investor Equity	\$9,231,551
		TOTAL	\$23,592,263

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,271,735
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$14,653,256
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,318,793
Approved Developer Fee in Project Cost	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor:	NEF Inc.
Federal Tax Credit Factor:	\$0.70

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 9.00% of the qualified basis. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: The applicant proposes a senior housing project with 32 units reserved for developmentally disabled individuals. The application states that within these units either the developmentally disabled tenant or a live-in caretaker will be over the age of 55. TCAC staff cautions the applicant to become fully aware of fair housing law and senior-restricted housing when implementing this proposal. Strict fair housing law, eligibility requirements, and tax credit program compliance should be carefully considered at the time the project is placed in service. Please note, at least one person in each unit must meet the age requirement of 55 years or older, and a senior live-in caretaker will not be considered as meeting this requirement unless the caretaker is also an income qualified tenant.

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.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits and ARRA funds, 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
\$1,318,793	\$0
ARRA/Federal	ARRA/State
\$1,582,552	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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)(P) at project completion.

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Gina Ferguson