

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 Second Round
September 24, 2014

Project Number CA-14-136

Project Name Mosaic Gardens at Monterey Park

Site Address:	<u>Site 1</u> 236 S. Ramona Ave Monterey Park, CA 91754 4828.00	<u>Site 2</u> 321 E. Pomona Blvd. Monterey Park, CA 91754 4822.01
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<u>Site 3</u> 325 E. Pomona Blvd. Monterey Park, CA 91754 4822.01	<u>Site 4</u> 341 E. Pomona Blvd. Monterey Park, CA 91754 4822.01
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<u>Site 5</u> 371 E. Pomona Blvd. Monterey Park, CA 91754 4822.01	<u>Site 6</u> 534 N. Chandler Ave. Monterey Park, CA 91754 4817.13
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County: Los Angeles

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$623,052	\$0
Recommended:	\$623,052	\$0

Applicant Information

Applicant: LINC-Monterey Park Apartments Housing Investors, L.P.
Contact: Suny Lay Chang
Address: 110 Pine Avenue, Suite 500
Long Beach, CA 90802
Phone: 562-684-1108 Fax: 562-684-1137
Email: schang@linchousing.org

General Partner(s) / Principal Owner(s):	LINC-Monterey Park Apartments, L.L.C.
General Partner Type:	Nonprofit
Parent Company(ies):	LINC Community Development Corporation LINC Housing Corporation
Developer:	LINC Housing Corporation
Investor/Consultant:	Raymond James Tax Credit Funds
Management Agent(s):	U.S. Residential Group

Project Information

Construction Type: New Construction / Rehabilitation
 Total # Residential Buildings: 6
 Total # of Units: 31
 No. & % of Tax Credit Units: 30 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 3 10 %
 40% AMI: 6 20 %
 50% AMI: 12 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

4 1-Bedroom Units
 17 2-Bedroom Units
 10 3-Bedroom Units

 31 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Site 1</u>			
1 1 Bedroom	40%	40%	\$611
1 1 Bedroom	50%	50%	\$764
1 2 Bedroom	40%	40%	\$734
1 3 Bedroom	50%	50%	\$1,060
1 3 Bedroom	60%	60%	\$1,272
1 2 Bedroom	Manager's Unit	Manager's Unit	\$0
<u>Site 2</u>			
1 2 Bedroom	50%	37%	\$673
1 2 Bedroom	50%	38%	\$688
1 3 Bedroom	40%	37%	\$781
1 3 Bedroom	40%	35%	\$743
<u>Site 3</u>			
1 2 Bedroom	30%	27%	\$494
1 2 Bedroom	50%	47%	\$861
1 3 Bedroom	60%	35%	\$743
1 3 Bedroom	60%	57%	\$1,205

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Site 4</u>			
1 2 Bedroom	40%	37%	\$678
1 2 Bedroom	60%	57%	\$1,045
1 3 Bedroom	30%	27%	\$569
1 3 Bedroom	50%	47%	\$993
<u>Site 5</u>			
2 2 Bedroom	50%	37%	\$673
2 3 Bedroom	60%	55%	\$1,152
<u>Site 6</u>			
1 1 Bedroom	50%	39%	\$597
1 1 Bedroom	60%	40%	\$614
1 2 Bedroom	30%	27%	\$494
1 2 Bedroom	40%	37%	\$678
3 2 Bedroom	50%	47%	\$861
1 2 Bedroom	60%	51%	\$933
1 2 Bedroom	60%	57%	\$1,045

Project Financing

Estimated Total Project Cost:	\$10,236,291
Estimated Residential Project Cost:	\$9,603,830
Estimated Commercial Project Cost:	\$632,461

Residential

Construction Cost Per Square Foot:	\$131
Per Unit Cost:	\$309,801

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$6,107,244
City of Monterey Park - HOME	\$834,833
Seller Carryback Loan (Sites 2-6)	\$2,080,000
Seller Carryback Loan (Site 1)	\$135,000
Cost Deferred Until Completion	\$450,687
Deferred Developer Fee	\$100,000
Tax Credit Equity	\$535,300

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$780,900
City of Monterey Park - HOME	\$834,833
Seller Carryback Loan (Sites 2-6)	\$2,080,000
Seller Carryback Loan (Site 1)	\$135,000
Deferred Developer Fee	\$93,227
Tax Credit Equity	\$6,312,331
TOTAL	\$10,236,291

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,224,291
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$8,091,578
Applicable Rate:	7.70%
Total Maximum Annual Federal Credit:	\$623,052
Approved Developer Fee in Project Cost:	\$944,556
Approved Developer Fee in Eligible Basis:	\$867,951
Investor/Consultant:	Raymond James Tax Credit Funds
Federal Tax Credit Factor:	\$1.01313

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:	\$6,224,291
Actual Eligible Basis:	\$6,654,291
Unadjusted Threshold Basis Limit:	\$7,576,940
Total Adjusted Threshold Basis Limit:	\$7,653,950

Adjustments to Basis Limit:

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	41.504%

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 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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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:

The project consists of six (6) scattered-sites, five (5) of which are existing buildings to be rehabilitated, and one (1) building to be newly constructed. The new construction building will have a community facility serving all tenants.

The applicant requested and has been granted a waiver of TCAC Regulation Section 10325(g)(1)(D) for on-site outdoor play/recreational facilities suitable for all tenants and children of all ages.

In addition, the applicant's percentage of construction builder overhead profit slightly exceeds the TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs that exceed the limit will not be allowed.

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 City of Monterey Park, 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
\$623,052	\$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 (Site 1)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within ¼ mile of a public elementary school resident children may attend	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Site Amenities (Sites 2-5)	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of a public middle school resident children may attend	3	3	3
Within ½ mile of a pharmacy	1	1	1
Site Amenities (Site 6)	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school resident children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5

Points System cont.	Max. Possible Points	Requested Points	Points Awarded
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE (Site 1)			
Develop project in accordance w/ requirements of: Green Point Rated	5	5	5
Develop project to requirements of: Green Point Rated 100	3	3	3
Energy efficiency beyond CA Building Code Title 24 requirements: 32.5%	2	2	2
REHABILITATION (Sites 2-6)			
Develop project in accordance w/ requirements of: GreenPoint Rated Existing	5	5	5
Develop project to requirements of: Green Point Rated Existing 65	2	2	2
Rehabilitate to improve energy efficiency (change in HERS II rating): 15%	3	3	3
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.