

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 19, 2016

Diamond Street Apartments, located at the SE corner of Diamond Street and Beacon Drive in Anderson, requested and is being recommended for a reservation of \$600,510 in annual federal tax credits to finance the new construction of 44 units of housing serving large families with rents affordable to households earning 45-60% of area median income (AMI). The project will be developed by LINC Community Development Corporation and will be located in Senate District 1 and Assembly District 1.

The project financing includes state funding from the MHP program of HCD.

Project Number CA-16-955

Project Name Diamond Street Apartments
Site Address: SE corner of Diamond Street and Beacon Drive
Anderson, CA 96007 County: Shasta
Census Tract: 122.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$600,510	\$0
Recommended:	\$600,510	\$0

Applicant Information

Applicant: LINC-Anderson APTS, L.P.
Contact: Suny Lay Chang
Address: 555 E. Ocean Blvd., Suite 900
Long Beach, CA 90802
Phone: 562-684-1108 Fax: 562-684-1137
Email: schang@linchousing.org

General Partner(s) or Principal Owner(s): LINC Community Development Corporation
General Partner Type: Nonprofit
Parent Company(ies): LINC Community Development Corporation
Developer: LINC Community Development Corporation
Investor/Consultant: Raymond James Tax Credit Funds, Inc
Management Agent: U.S. Residential Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 45
 No. & % of Tax Credit Units: 44 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: Yes
 Utility Allowance: CUAC
 Number of Units @ or below 50% of area median income: 35
 Number of Units @ or below 60% of area median income: 9

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Alex Ninh

Unit Mix

8 1-Bedroom Units
 16 2-Bedroom Units
21 3-Bedroom Units
 45 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	45%	45%	\$497
3 1 Bedroom	50%	50%	\$553
2 1 Bedroom	55%	55%	\$608
8 2 Bedrooms	45%	45%	\$597
5 2 Bedrooms	50%	50%	\$663
3 2 Bedrooms	60%	58%	\$768
10 3 Bedrooms	45%	45%	\$689
6 3 Bedrooms	50%	50%	\$766
4 3 Bedrooms	60%	60%	\$919
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$351,000
Construction Costs	\$9,663,346
Rehabilitation Costs	\$0
Construction Contingency	\$483,167
Relocation	\$0
Architectural/Engineering	\$730,000
Const. Interest, Perm. Financing	\$841,744
Legal Fees, Appraisals	\$50,000
Reserves	\$75,430
Other Costs	\$1,196,780
Developer Fee	\$1,853,902
Commercial Costs	\$0
Total	\$15,245,369

Project Financing

Estimated Total Project Cost:	\$15,245,369
Estimated Residential Project Cost:	\$15,245,369
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$197
Per Unit Cost:	\$338,786
True Cash Per Unit Cost*:	\$319,979

Construction Financing

Source	Amount
Citibank	\$10,000,000
HCD - HOME	\$4,600,000
Tax Credit Equity	\$400,000

Permanent Financing

Source	Amount
Citibank	\$900,000
Citibank Subordinate Debt	\$1,125,000
HCD - HOME	\$4,707,957
HCD - MHP	\$1,286,322
General Partner Equity	\$100
Deferred Developer Fee	\$846,301
Tax Credit Equity	\$6,379,689
TOTAL	\$15,245,369

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,213,249
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$18,477,224
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$600,510
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,853,902
Investor/Consultant:	Raymond James Tax Credit Funds, Inc
Federal Tax Credit Factor:	\$1.06238

Per Regulation Section 10322(h)(9)(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:	\$14,530,354
Actual Eligible Basis:	\$14,530,354
Unadjusted Threshold Basis Limit:	\$12,437,416
Total Adjusted Threshold Basis Limit:	\$24,750,458

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
between 50% AMI & 36% AMI: 79%

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, City of Anderson, has completed a site review of this project and has no position 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
\$600,510	\$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.