

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

Kensington Campus, located at Avenue I & 32nd Street West in Lancaster, requested and is being recommended for a reservation of \$782,160 in annual federal tax credits to finance the new construction of 50 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by Insight Development, LLC and will be located in Senate District 21 and Assembly District 36.

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

Project Number CA-18-712

Project Name Kensington Campus
 Site Address: Avenue I & 32nd Street West
 Lancaster, CA 93536 County: Los Angeles
 Census Tract: 9009.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$782,160	\$0
Recommended:	\$782,160	\$0

Applicant Information

Applicant: When Life Hands You Lemons, LP
 Contact: Stephanie Levine
 Address: 6330 Variel Avenue, Suite 220
 Woodland Hills, CA 91367
 Phone: 818-789-5550
 Email: stephanie@qgre.com

General Partner(s) or Principal Owner(s): InSite Development, LLC
 Ocean Park Community Center
 General Partner Type: Joint Venture
 Parent Company(ies): InSite Development, LLC
 Ocean Park Community Center
 Developer: InSite Development, LLC
 Investor/Consultant: Alliant Capital
 Management Agent: Ironwood Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 51
 No. / % of Low Income Units: 50 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (50 Units -100%)

Bond Information

Issuer: CA Municipal Finance Authority
 Expected Date of Issuance: July 19, 2018

Information

Housing Type: Special Needs
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 35% AMI: 50	100%

Unit Mix

<u>51 1-Bedroom Units</u>
51 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
50 1 Bedroom	30%	30%	\$545
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,029

TCAC-confirmed Projected Lifetime Rent Benefit: \$24,552,000

Project Cost Summary at Application

Land and Acquisition	\$0
Construction Costs	\$12,245,000
Rehabilitation Costs	\$0
Construction Contingency	\$655,000
Relocation	\$0
Architectural/Engineering	\$575,000
Const. Interest, Perm. Financing	\$1,055,543
Legal Fees, Appraisals	\$82,200
Reserves	\$490,126
Other Costs	\$1,763,918
Developer Fee	\$2,415,232
Commercial Costs	\$0
Total	\$19,282,019

Residential

Construction Cost Per Square Foot:	\$345
Per Unit Cost:	\$378,079
True Cash Per Unit Cost*:	\$330,721

Construction Financing

Source	Amount
California Bank & Trust	\$9,300,000
CDC of County of LA ¹	\$6,800,000
General Partner Loan	\$27,010
Deferred Developer Fee	\$2,415,232
Tax Credit Equity	\$150,397

Permanent Financing

Source	Amount
California Bank & Trust	\$1,550,000
CDC of County of LA ¹	\$7,000,000
City of Lancaster	\$2,449,999
Deferred Developer Fee	\$835,708
Tax Credit Equity	\$7,446,312
TOTAL	\$19,282,019

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

¹Community Development Commission of the County of Los Angeles

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,579,739
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,153,661
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$782,160
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,415,232
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$0.95202

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$18,579,739
Actual Eligible Basis:	\$18,579,739
Unadjusted Threshold Basis Limit:	\$13,089,558
Total Adjusted Threshold Basis Limit:	\$39,268,674

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

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 3.27% 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 the first phase of a concurrent four percent (4%) application, Kensington II (CA-18-611). Kensington II and Kensington Campus are being developed as multiple simultaneous phases using the same credit type pursuant to TCAC Regulation Section 10327(c)(2)(C). The developer fees for Kensington Campus I and Kensington Campus II comply with the requirements for simultaneous phases.

The current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-18-712 must be completed as part of the placed in service package.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of Lancaster, 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

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site