

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2018 Second Round**  
**September 19, 2018**

The Spark at Midtown, located at 1900 Long Beach Boulevard in Long Beach, requested a reservation of \$2,472,866 in annual federal tax credits but is being recommended for a reservation of \$2,467,049 in annual federal tax credits (See "**Significant Information / Additional Conditions**" section below) to finance the new construction of 94 units of housing serving special needs families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by LINC Housing Corporation and will be located in Senate District 33 and Assembly District 70.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and Los Angeles DHS Flexible Housing Subsidy Pool (FHSP). The project financing includes state funding from the IIG program of HCD.

**Project Number** CA-18-110

**Project Name** The Spark at Midtown  
**Site Address:** 1900 Long Beach Boulevard  
 Long Beach, CA 90806 County: Los Angeles  
**Census Tract:** 5732.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,472,866	\$0
Recommended:	\$2,467,049	\$0

**Applicant Information**

**Applicant:** LINC-Spark APTS LP  
**Contact:** Will Sager  
**Address:** 555 E. Ocean Boulevard, Suite 900  
 Long Beach, CA 90802  
**Phone:** 562-684-1127  
**Email:** wsager@linchousing.org

**General Partner(s) / Principal Owner(s):** LINC-Spark APTS LLC  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** LINC Housing Corporation  
**Developer:** LINC Housing Corporation  
**Investor/Consultant:** Raymond James Tax Credit Funds, Inc  
**Management Agent(s):** The John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 95  
 No. & % of Tax Credit Units: 94 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (47 units / 50%)  
 Utility Allowance: CUAC

**Information**

Set-Aside: Nonprofit (homeless assistance)  
 Housing Type: Large Family  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Diane SooHoo

**55-Year Use / Affordability**

	<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	53	55%
At or Below 60% AMI:	41	40%

**Unit Mix**

47 1-Bedroom Units  
 24 2-Bedroom Units  
24 3-Bedroom Units  
 95 Total Units

<u>Unit Type &amp; 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>
46 1 Bedroom	30%	23%	\$415
1 1 Bedroom	30%	30%	\$545
3 2 Bedrooms	30%	30%	\$654
3 3 Bedrooms	30%	30%	\$756
20 2 Bedrooms	60%	60%	\$1,309
21 3 Bedrooms	60%	60%	\$1,512
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$61,564,140

**Project Cost Summary at Application**

Land and Acquisition	\$4,720,232
Construction Costs	\$27,318,108
Rehabilitation Costs	\$0
Construction Contingency	\$1,370,580
Relocation	\$0
Architectural/Engineering	\$1,377,279
Const. Interest, Perm. Financing	\$1,480,543
Legal Fees, Appraisals	\$61,018
Reserves	\$3,372,516
Other Costs	\$4,077,961
Developer Fee	\$2,196,131
Commercial Costs	\$5,522,363
<b>Total</b>	<b>\$51,496,731</b>

**Residential**

Construction Cost Per Square Foot:	\$276
Per Unit Cost:	\$483,941
True Cash Per Unit Cost*:	\$478,991

**Construction Financing**

Source	Amount
Citibank	\$24,662,884
HCD-IIG	\$1,999,268
L.A. County CDC <sup>1</sup>	\$9,081,700
L.A. County 4th District Loan	\$1,500,000
City of Long Beach - LBCIC <sup>2</sup>	\$3,000,000
City of Long Beach Fee Waiver	\$526,661
AHP	\$940,000
Costs Deferred Until Completion	\$4,409,201
General Partner Equity	\$100
Tax Credit Equity	\$5,428,949

**Permanent Financing**

Source	Amount
Citibank	\$12,241,940
HCD-IIG	\$1,999,268
L.A. County CDC <sup>1</sup>	\$9,220,000
L.A. County 4th District Loan	\$1,500,000
City of Long Beach - LBCIC <sup>2</sup>	\$3,000,000
City of Long Beach Fee Waiver	\$526,661
AHP	\$940,000
General Partner Equity	\$100
Tax Credit Equity	\$22,068,762
<b>TOTAL</b>	<b>\$51,496,731</b>

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

<sup>1</sup>Los Angeles County Community Development Commission

<sup>2</sup>City of Long Beach - Long Beach Community Investment Company

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,135,607
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,476,289
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$2,467,049
Approved Developer Fee in Project Cost:	\$2,196,131
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Raymond James Tax Credit Funds, Inc
Federal Tax Credit Factor:	\$0.89454

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$21,135,607
Actual Eligible Basis:	\$36,018,025
Unadjusted Threshold Basis Limit:	\$25,631,650
Total Adjusted Threshold Basis Limit:	\$36,753,390

**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
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>68.467%</b>

**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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.25%. 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**

The project has rental subsidies covering 100% of the Tax Credit Units. Forty-seven (47) of the 94 Tax Credit units will receive rental assistance in the form of Section 8 Project-Based vouchers from the Housing Authority of the City of Long Beach, the remaining 47 Tax Credit units will receive rental assistance in the form of Los Angeles DHS Flexible Housing Subsidy Pool (FHSP). In addition, the project received tie breaker benefit for 47 units in the capitalized rent differential calculation as Nonprofit Homeless Assistance (NPHA) for special needs units. The units that received the tie breaker benefit as NPHA units will be regulated by TCAC according to NPHA requirements.

In determining the adjusted threshold basis limit, the applicant incorrectly included commercial impact fees. In addition, in determining the total requested unadjusted eligible basis, the amount of parking costs attributable to ineligible basis related to excess parking was excluded from the development budget. Staff adjusted for both accordingly which increased the high cost percentage. In consequence, the developer fee maximum was affected. Staff recalculated and adjusted accordingly which resulted in a decrease to the maximum allowed developer fee and a corresponding reduction to the annual federal tax credit amount.

Projects receiving funding/subsidy from HUD are required to use Utility Allowances approved by HUD. The applicant's use of the CUAC for the project is subject to approval by HUD.

**Resyndication and Resyndication Transfer Event:** None.

**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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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 fifteen 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)(5) 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1/2 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1 mile of a High School	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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, min. 36 hrs/yr instruction	3	3	3
After school program for school age children, minimum of 4 hours/week	2	2	2
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**