

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Willowbrook 2, located at 1854 E. 118th Street in Los Angeles, requested and is being recommended for a reservation of \$1,448,943 in annual federal tax credits to finance the new construction of 99 units of housing serving tenants 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 35 and Assembly District 64.

The project will be receiving rental assistance from the DHS Flexible Housing Subsidy Pool. The project financing includes state funding from the IIG and AHSC programs of HCD.

Project Number CA-18-779

Project Name Willowbrook 2
Site Address: 1854 E. 118th Street
 Los Angeles, CA 90059 County: Los Angeles
Census Tract: 5407.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,448,943	\$0
Recommended:	\$1,448,943	\$0

Applicant Information

Applicant: LINC-WB2 Apts LP
Contact: Ana Tapia
Address: 3590 Elm Avenue
 Long Beach, CA 90807
Phone: 562-684-1114
Email: atapia@linchousing.org

General Partner(s) or Principal Owner(s): LINC-WB2 Apts LLC
General Partner Type: Nonprofit
Parent Company(ies): LINC Housing Corporation
Developer: LINC Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 100
 No. / % of Low Income Units: 99 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: Housing Authority of the County of Los Angeles
 Expected Date of Issuance: 12/20/2018

Information

Housing Type: Non-Targeted
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Lucy Vang

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 35% AMI: 50	51%
At or Below 50% AMI: 10	10%
At or Below 60% AMI: 39	39%

Unit Mix

50 1-Bedroom Units
24 2-Bedroom Units
26 3-Bedroom Units
100 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
50 1 Bedroom	30%	30%	\$545
5 2 Bedrooms	50%	50%	\$1,091
5 3 Bedrooms	50%	50%	\$1,260
19 2 Bedrooms	60%	60%	\$1,309
20 3 Bedrooms	60%	60%	\$1,512
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$41,111,400

Project Cost Summary at Application

Land and Acquisition	\$2,886,259
Construction Costs	\$29,987,284
Rehabilitation Costs	\$0
Construction Contingency	\$1,476,948
Relocation	\$0
Architectural/Engineering	\$1,633,271
Const. Interest, Perm. Financing	\$2,951,617
Legal Fees, Appraisals	\$120,679
Reserves	\$345,000
Other Costs	\$3,120,612
Developer Fee	\$5,845,939
Commercial Costs	\$1,655,086
Total	\$50,022,695

Residential

Construction Cost Per Square Foot:	\$323
Per Unit Cost:	\$481,316
True Cash Per Unit Cost*:	\$460,287

Construction Financing

Source	Amount
Citibank Construction Loan	\$27,829,048
LACDC Loan	\$6,800,000
LACDC Land Loan	\$2,242,000
AHP	\$990,000
HCD AHSC- HRI	\$2,938,566
HCD IIG	\$3,250,000
Deferred Interest	\$377,200
Deferred Costs	\$1,034,089
Deferred Developer Fee	\$3,993,959
General Partner Equity	\$100
Tax Credit Equity	\$567,733

Permanent Financing

Source	Amount
Citibank Permanent Loan	\$3,160,800
Citibank Tranche B Loan	\$3,808,000
LACDC Loan	\$9,750,000
LACDC Land Loan	\$2,242,000
AHP	\$990,000
HCD AHSC	\$5,592,418
HCD AHSC- HRI	\$2,938,566
HCD IIG	\$3,250,000
Accured/Deferred Interest	\$377,200
Deferred Developer Fee	\$3,993,959
General Partner Equity	\$100
Tax Credit Equity	\$13,919,652
TOTAL	\$50,022,695

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$44,582,856
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$44,582,856
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$1,448,943
Approved Developer Fee in Project Cost:	\$5,845,939
Approved Developer Fee in Eligible Basis:	\$5,609,924
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.96068

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:	\$44,582,856
Actual Eligible Basis:	\$44,582,856
Unadjusted Threshold Basis Limit:	\$30,566,788
Total Adjusted Threshold Basis Limit:	\$70,303,613

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 10%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 100%

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: None

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency

The Local Reviewing Agency, Community Development Commission of the County of Los Angeles, 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:

- After school program on-site for a minimum of 10 hours per week
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under Leadership in Energy & Environmental Design (LEED); Green Communities / Passive House Institute US (PHIUS) / Passive House / Living Building Challenge / GreenPoint Rated Multifamily Guidelines / WELL
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.