

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

11408 S. Central Avenue, located at 11408 S. Central Avenue in Los Angeles, requested and is being recommended for a reservation of \$1,527,623 in annual federal tax credits to finance the new construction of 63 units of housing serving tenants with rents affordable to households earning 50% AMI 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 in the form of Flexible Housing Subsidy Pool. The project financing includes state funding from the NPLH program of HCD.

Project Number	CA-19-543		
Project Name	11408 S. Central Avenue		
Site Address:	11408 S. Central Avenue		
	Los Angeles, CA 90059	County: Los Angeles	
Census Tract:	2426.00		

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,527,623	\$0
Recommended:	\$1,527,623	\$0

Applicant Information

Applicant:	LINC-Central LP
Contact:	Cecilia Ngo
Address:	3590 Elm Avenue Long Beach, CA 90807
Phone:	562-684-1134
Email:	cngo@linchousing.org
General Partner(s) or Principal Owner(s):	LINC-Central LLC
General Partner Type:	Nonprofit
Parent Company(ies):	LINC Housing Corporation
Developer:	LINC Housing Corporation
Investor/Consultant:	California Housing Partnership
Management Agent:	The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 64
 No. / % of Low Income Units: 63 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: Housing & Community Investment Department of the City of LA
 Expected Date of Issuance: April 1, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Sara Dixon

55-Year Use / Affordability

Aggregate Targeting	Percentage of
Number of Units	Affordable Units
<hr/> 50% AMI: 63	<hr/> 100%

Unit Mix

63 1-Bedroom Units
 1 3-Bedroom Units

 64 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
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63 1 Bedroom	50%	50%	\$979
1 3 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,040,000
Construction Costs	\$23,483,355
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,425,801
Soft Cost Contingency	\$417,800
Relocation	\$0
Architectural/Engineering	\$1,410,000
Const. Interest, Perm. Financing	\$2,694,826
Legal Fees	\$154,000
Reserves	\$741,332
Other Costs	\$2,393,071
Developer Fee	\$4,644,643
Commercial Costs	\$0
Total	\$40,404,828

Residential

Construction Cost Per Square Foot:	\$451
Per Unit Cost:	\$631,325
True Cash Per Unit Cost*:	\$597,815

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$25,014,000
LACDA NPLH	\$7,080,000
HCIDLA HHH	\$2,999,818
Accrued/Deferred Interest	\$38,862
AHP	\$630,000
Deferred Costs	\$1,221,582
Deferred Developer Fee	\$2,144,644
General Partner Equity	\$100
Tax Credit Equity	\$1,275,822

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$6,151,000
LACDA NPLH	\$7,130,000
HCIDLA HHH	\$10,112,000
Accrued/Deferred Interest	\$38,862
AHP	\$630,000
Deferred Developer Fee	\$2,144,644
General Partner Equity	\$100
Tax Credit Equity	\$14,198,222
TOTAL	\$40,404,828

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$35,608,933
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$46,291,613
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$1,527,623
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,644,643
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.92943

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:	\$35,608,933
Actual Eligible Basis:	\$35,608,933
Unadjusted Threshold Basis Limit:	\$18,449,201
Total Adjusted Threshold Basis Limit:	\$44,007,244

Adjustments to Basis Limit

- Required to Pay 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
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 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 meet or 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 3.30% 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

The per unit development cost is \$631,325. Factors attributing to the cost per unit are prevailing wage, sustainability requirements required by the Los Angeles County Development Authority's design guidelines, providing furnished units, additional common areas, and offices for services to serve homeless households.

Resyndication and Resyndication Transfer Event: None

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.