

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 16, 2019**

PCH & Magnolia, located at 460 W. Pacific Coast Highway in Long Beach, requested and is being recommended for a reservation of \$921,051 in annual federal tax credits to finance the new construction of 39 units of housing serving tenants with rents affordable to households earning 50% 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 County of Los Angeles Department of Health Services Flexible Housing Subsidy Pool (FHSP) Vouchers.

Project Number CA-19-558

Project Name PCH & Magnolia
Site Address: 460 W. Pacific Coast Highway
Long Beach, CA 90806 County: Los Angeles
Census Tract: 5754.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$921,051	\$0
Recommended:	\$921,051	\$0

Applicant Information

Applicant: LINC-PCH 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-PCH 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: 1
Total # of Units: 40
No. / % of Low Income Units: 39 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: April 1, 2020

Information

Housing Type: Special Needs
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 39	100%

Unit Mix

39 1-Bedroom Units
<u>1 2-Bedroom Units</u>
40 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
39 1 Bedroom	50%	50%	\$979
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,785,000
Construction Costs	\$13,003,489
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$913,814
Soft Cost Contingency	\$195,514
Relocation	\$0
Architectural/Engineering	\$1,395,000
Const. Interest, Perm. Financing	\$1,828,932
Legal Fees	\$140,000
Reserves	\$155,826
Other Costs	\$2,261,364
Developer Fee	\$2,800,399
Commercial Costs	<u>\$0</u>
Total	\$25,479,338

Residential

Construction Cost Per Square Foot:	\$335
Per Unit Cost:	\$636,983
True Cash Per Unit Cost*:	\$615,723

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank	\$14,333,283	Union Bank	\$4,235,000
LBCIC**	\$2,031,000	LBCIC**	\$2,031,000
LBCIC Accrued/Deferred Interest	\$55,387	LBCIC Accrued/Deferred Interest	\$55,387
LBCIC Impact Fee Exemption	\$219,000	LBCIC Impact Fee Exemption	\$219,000
LACDA	\$6,040,000	LACDA	\$8,540,000
LACDA Accrued/Deferred Interest	\$254,053	LADCA Accrued/Deferred Interest	\$254,053
AHP	\$429,000	AHP	\$429,000
Deferred Costs	\$524,576	Deferred Developer Fee	\$850,399
General Partner Equity	\$100	General Partner Equity	\$100
Deferred Developer Fee	\$850,399	Tax Credit Equity	\$8,865,399
Tax Credit Equity	\$742,540	TOTAL	\$25,479,338

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

** LBCIC - Long Beach Community Investment Company, an entity of the City of Long Beach.

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,469,724
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,910,641
Total Maximum Annual Federal Credit:	\$921,051
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,800,399
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.96253

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:	\$21,469,724
Actual Eligible Basis:	\$21,469,724
Unadjusted Threshold Basis Limit:	\$11,492,521
Total Adjusted Threshold Basis Limit:	\$25,311,510

Adjustments to Basis Limit

- 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 project's estimated cost per unit is \$636,983. The project will be a 4-story elevator-served building comprised almost entirely of one-bedroom units. The building is proposed to be built to the LEED Gold standards. The project will also include ample community space for the tenants as well as space for tenant services. In addition, the project will be constructed on a relatively long and narrow infill site in the city of Long Beach.

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.