

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
2019 Waiting List Project  
October 16, 2019**

Avocado Heights, located at 162 S. 3rd Avenue in Bassett, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$8,553,927 in total state tax credits to finance the new construction of 80 units of housing serving large families with rents affordable to households earning 30-70% of area median income (AMI). The project will be developed by LINC Housing Corporation and will be located in Senate District 22 and Assembly District 57.

**Project Number** CA-19-111  
**Project Name** Avocado Heights  
Site Address: 162 S. 3rd Avenue  
Bassett, CA 91746 County: Los Angeles  
Census Tract: 5031.060

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,500,000	\$8,553,927
Recommended:	\$2,500,000	\$8,553,927

\* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

Applicant: LINC Housing Corporation  
Contact: Will Sager  
Address: 3590 Elm Avenue  
Long Beach, CA 90807  
Phone: 562-684-1127  
Email: wsager@linchousing.org  
  
General Partner / Principal Owner: LINC Housing Corporation  
General Partner Type: Nonprofit  
Parent Company: LINC Housing Corporation  
Developer: LINC Housing Corporation  
Investor/Consultant: Raymond James Tax Credit Funds, Inc.  
Management Agent: The John Stewart Company

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 81  
No. & % of Tax Credit Units: 80 100%  
Federal Set-Aside Elected: 40%/60% Average Income

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Ruben Barcelo

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI: 24	30%
At or Below 50% AMI: 16	20%
At or Below 60% AMI: 32	40%
At or Below 70% AMI: 8	10%

**Unit Mix**

40 1-Bedroom Units  
 20 2-Bedroom Units  
 21 3-BedroomUnits  


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 81 Total Units

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
20 1 Bedroom	30%	30%	\$587
2 2 Bedrooms	30%	30%	\$705
2 3 Bedrooms	30%	30%	\$814
10 1 Bedroom	50%	50%	\$979
3 2 Bedrooms	50%	50%	\$1,175
3 3 Bedrooms	50%	50%	\$1,357
10 1 Bedroom	60%	60%	\$1,175
11 2 Bedrooms	60%	60%	\$1,410
11 3 Bedrooms	60%	60%	\$1,629
4 2 Bedrooms	70%	70%	\$1,645
4 3 Bedrooms	70%	70%	\$1,900
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,065,000
Construction Costs	\$23,895,540
Rehabilitation Costs	\$0
Construction Contingency	\$1,380,433
Relocation	\$0
Architectural/Engineering	\$1,215,000
Const. Interest, Perm. Financing	\$1,857,066
Legal Fees	\$55,000
Reserves	\$238,533
Other Costs	\$1,560,601
Developer Fee	\$2,059,294
Commercial Costs	\$0
<b>Total</b>	<b>\$35,326,467</b>

**Residential**

Construction Cost Per Square Foot:	\$242
Per Unit Cost:	\$436,129
True Cash Per Unit Cost*:	\$436,129

**Construction Financing**

Source	Amount
Citibank	\$24,888,459
Deferred Costs	\$1,116,657
General Partner Equity	\$100
Tax Credit Equity	\$9,321,251

**Permanent Financing**

Source	Amount
Citibank	\$3,940,529
General Partner Equity	\$100
Tax Credit Equity	\$31,385,838
<b>TOTAL</b>	<b>\$35,326,467</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$28,674,547
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$28,674,547
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$8,553,927
Approved Developer Fee in Project Cost:	\$2,059,294
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Raymond James Tax Credit Funds, Inc.
Federal Tax Credit Factor:	\$0.96585
State Tax Credit Factor:	\$0.84636

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:	\$28,674,547
Actual Eligible Basis:	\$30,508,491
Unadjusted Threshold Basis Limit:	\$24,268,136
Total Adjusted Threshold Basis Limit:	\$28,674,547

**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

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>6.277%</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 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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

**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, Los Angeles County Development Authority, has completed a site review of this project and strongly supports it.

**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 ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ 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
<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
After school program for school age children, minimum of 10 hours/week	5	5	5
<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>5</b>	<b>5</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>108</b>	<b>108</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.**