CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2019

Kensington Homes, located at Avenue I and 32nd Street West in Lancaster, requested and is being recommended for a reservation of $551,703 in annual federal tax credits to finance the new construction of 50 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by InSite Development, LLC and will be located in Senate District 21 and Assembly District 36.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-19-586

Project Name Kensington Homes
Site Address: Avenue I & 32nd Street West
Lancaster, CA 93536 County: Los Angeles
Census Tract: 9009.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$551,703	$0
Recommended:	$551,703	$0

Applicant Information
Applicant: No More Lemons, LP
Contact: Stephanie Levine
Address: 6330 Variel Avenue, Suite 201
Woodland Hills, CA 91367
Phone: 818-789-5550
Email: stephanie@qgre.com

General Partner(s) or Principal Owner(s): InSIte Development, LLC
The People Concern
Alliant Tax Credit Syndicator
General Partner Type: Joint Venture
Parent Company(ies): InSite Development, LLC
The People Concern
Alliant Capital Ltd.
Developer: InSite Development, LLC
Investor/Consultant: Alliant Capital
Management Agent: Ironwood Management

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	2
Total # of Units:	51
No. / % of Low Income Units:	50 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project Based Contract (50 units - 100%)

Bond Information

Issuer:	CA Municipal Finance Authority
Expected Date of Issuance:	January 15, 2020

Information

Housing Type:	Special Needs
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	50	100%

Unit Mix

51 1-Bedroom Units
51 Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
50	1 Bedroom	30%	28%	$545
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$1,091

Project Cost Summary at Application

Land and Acquisition	$0
Construction Costs	$12,100,000
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$700,000
Soft Cost Contingency	$200,000
Relocation	$0
Architectural/Engineering	$275,000
Const. Interest, Perm. Financing	$915,000
Legal Fees	$85,000
Reserves	$599,568
Other Costs	$945,160
Developer Fee	$2,271,638
Commercial Costs	$0
Total	**$18,091,366**

Residential

Construction Cost Per Square Foot:	$341
Per Unit Cost:	$354,733
True Cash Per Unit Cost*:	$350,909

Construction Financing

Source	Amount
California Bank & Trust	$9,000,000
LACDA - No Place Like Home	$8,200,000
Deferred Developer Fee	$195,020
Tax Credit Equity	$696,346

Permanent Financing

Source	Amount
California Bank & Trust	$1,100,000
LACDA - No Place Like Home	$11,500,000
Deferred Developer Fee	$195,020
Tax Credit Equity	$5,296,346
TOTAL	**$18,091,366**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$17,415,888
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	$17,415,888
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$551,703
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,271,638
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	$0.96000

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:	$17,415,888
Actual Eligible Basis:	$17,415,888
Unadjusted Threshold Basis Limit:	$14,577,789
Total Adjusted Threshold Basis Limit:	$44,024,923

Adjustments to Basis Limit

100% of the Low Income Units for Special Needs Population

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

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 proposed project Kensington Homes is the final phase of Kensington Campus. The project will be built on approximately 2.7 acres of the 14 acre Kensington Campus master development. The current parcel has been subdivided from the larger parcel, that was donated by the City of Lancaster, for the campus in it's entirety. The entire campus targets homeless and chronically homeless individuals with severe mental illness.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

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.