

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

REVISED

9th Street Lofts, located at 456 West 9th Street in San Pedro, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$13,306,136 in total state tax credits to finance the new construction of 90 units of housing serving large families with rents affordable to households earning 30% - 80% 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 70.

Project Number CA-20-024

Project Name 9th Street Lofts

Site Address: 456 West 9th Street
San Pedro, CA 90731

County: Los Angeles

Census Tract: 2971.100

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$13,306,136
Recommended:	\$2,500,000	\$13,306,136

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: LINC-CORE San Pedro Lofts, LP
Contact: Will Sager
Address: 3590 Elm Avenue
Long Beach, CA 90807
Phone: 562-684-1127
Email: wsager@linchousing.org

General Partner(s) / Principal Owner(s): Linc Housing Corporation
National Community Renaissance of California
General Partner Type: Nonprofit
Parent Company(ies): Linc Housing Corporation
National Community Renaissance of California
Developer: Linc Housing Corporation
Investor/Consultant: Bank of America
Management Agent(s): National CORE

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 91
No. & % of Tax Credit Units: 90 100%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: N/A
Utility Allowance: CUAC

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: City of Los Angeles
TCAC Project Analyst: Sara Dixon

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	18	20%
At or Below 40% AMI:	27	30%
At or Below 50% AMI:	18	20%
At or Below 60% AMI:	9	10%
At or Below 80% AMI:	18	20%

Unit Mix

5 SRO/Studio Units
27 1-Bedroom Units
36 2-Bedroom Units
23 3-BedroomUnits
91 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>
5 SRO/Studio	30%	30%	\$548
6 1 Bedroom	30%	30%	\$587
21 1 Bedroom	40%	40%	\$783
4 2 Bedrooms	30%	30%	\$705
6 2 Bedrooms	40%	40%	\$940
18 2 Bedrooms	50%	50%	\$1,175
7 2 Bedrooms	60%	60%	\$1,410
3 3 Bedrooms	30%	30%	\$814
2 3 Bedrooms	60%	60%	\$1,629
18 3 Bedrooms	80%	80%	\$2,172
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,083,833
Construction Costs	\$33,741,079
Rehabilitation Costs	\$0
Construction Contingency	\$2,068,598
Relocation	\$0
Architectural/Engineering	\$1,132,049
Const. Interest, Perm. Financing	\$2,668,502
Legal Fees	\$43,172
Reserves	\$277,278
Other Costs	\$2,572,511
Developer Fee	\$2,200,000
Commercial Costs	\$2,080,000
Total	\$53,867,022

Residential

Construction Cost Per Square Foot:	\$351
Per Unit Cost:	\$569,088
True Cash Per Unit Cost*:	\$569,088

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America	\$29,905,228	Bank of America	\$6,699,768
City of Los Angeles - Land Lease	\$5,875,000	City of Los Angeles - Land Lease	\$5,875,000
HCIDLA	\$6,000,000	HCIDLA	\$6,000,000
Deferred Costs	\$1,239,276	General Partner Equity	\$100
General Partner Equity	\$100	Tax Credit Equity	\$35,292,154
Tax Credit Equity	\$10,847,418	TOTAL	\$53,867,022

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$44,353,786
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$44,353,786
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$0.96630
State Tax Credit Factor:	\$0.83680

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:	\$44,353,786
Actual Eligible Basis:	\$44,589,851
Unadjusted Threshold Basis Limit:	\$32,325,392
Total Adjusted Threshold Basis Limit:	\$44,727,180

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
 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

Initial:	Letter of Support
First:	Large Family
Final:	29.229%

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, 3.24%. 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

Staff noted a per unit development cost of \$569,088. The applicant noted that the per unit cost is attributed to the project's high-rise development infrastructure, podium-level parking, the undergrounding of public utilities, and prevailing wage.

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
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 public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

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.