

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 First Round**

**June 17, 2020**

South Library, located at 14433 Leffingwell Road in South Whittier, requested and is being recommended for a reservation of \$1,027,684 in annual federal tax credits to finance the new construction of 26 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 LINC Housing and will be located in Senate District 32 and Assembly District 57.

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

**Project Number** CA-20-025

**Project Name** South Library  
Site Address: 14433 Leffingwell Road  
South Whittier, CA 90604 County: Los Angeles  
Census Tract: 5031.060

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,027,684	\$0
Recommended:	\$1,027,684	\$0

**Applicant Information**

Applicant: LINC Library Apts, LP  
Contact: Jordan Johnson  
Address: 3590 Elm Avenue  
Long Beach, CA 90807  
Phone: (562) 684-1121  
Email: jjohnson@linchousing.org

General Partner(s) / Principal Owner(s): LINC Library GP, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): LINC Housing Corporation  
Developer: LINC Housing  
Investor/Consultant: Raymond James  
Management Agent(s): Aperto Property Management

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 27  
No. & % of Tax Credit Units: 26 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HUD Section 8 Project-based Vouchers (26 Units / 100%)

**Information**

Set-Aside: Nonprofit (homeless assistance)  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless/formerly homeless  
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%  
 % of Special Need Units: 26 units 100%  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Carmen Doonan

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 26	100%

**Unit Mix**

<u>26 1-Bedroom Units</u>
27 Total Units

<u>Unit Type &amp; 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>
26 1 Bedroom	30%	30%	\$587
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$761,000
Construction Costs	\$8,903,159
Rehabilitation Costs	\$0
Construction Contingency	\$992,197
Relocation	\$0
Architectural/Engineering	\$521,711
Const. Interest, Perm. Financing	\$865,590
Legal Fees	\$113,000
Reserves	\$338,917
Other Costs	\$937,584
Developer Fee	\$1,796,558
Commercial Costs	\$0
<b>Total</b>	<b>\$15,229,716</b>

**Residential**

Construction Cost Per Square Foot:	\$391
Per Unit Cost:	\$564,064
True Cash Per Unit Cost*:	\$559,376

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Union Bank Construction Loan	\$8,665,000	Union Bank	\$1,210,527
County of LA - Land Lease	\$646,000	County of LA - Land Lease	\$646,000
No Place Like Home	\$3,841,500	No Place Like Home	\$3,900,000
Permit Fee Waiver	\$126,566	Permit Fee Waiver	\$126,566
Deferred Costs	\$1,112,846	General Partner Equity	\$2,780
General Partner Equity	\$2,780	Tax Credit Equity	\$9,343,843
Tax Credit Equity	\$835,024	<b>TOTAL</b>	<b>\$15,229,716</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$8,783,622
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,418,709
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,027,684
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,796,558
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.90921

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:	\$8,783,622
Actual Eligible Basis:	\$13,773,613
Unadjusted Threshold Basis Limit:	\$7,975,084
Total Adjusted Threshold Basis Limit:	\$10,712,876

**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  
 100% of the Low Income Units for Special Needs Population  
 Local Development Impact Fees  
 95% of Upper Floor Units are Elevator-Serviced

## **Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>77.065%</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, 3.24%. 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 \$564,064. The applicant noted the cost is attributed to requirements surrounding prevailing wage, transition reserve, and contingency costs.

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

## **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.

<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 1/3 mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	0
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS HOUSING TYPE</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
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>10</b>	<b>10</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>113</b>	<b>113</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.**