

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

December 9, 2020

SagePointe, located near the northwest corner of Eubank Avenue and Pacific Coast Highway in Los Angeles, requested and is being recommended for a reservation of \$938,427 in annual federal tax credits to finance the new construction of 55 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 Community Development Corporation and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-20-728

Project Name SagePointe

Site Address: Northwest corner of Eubank Avenue and Pacific Coast Highway

Los Angeles, CA 90744 County: Los Angeles

Census Tract: 2941.10

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$938,427	\$0
Recommended:	\$938,427	\$0

Applicant Information

Applicant: Linc-Wilmington Apartments LP

Contact: Frances Sarmiento

Address: 3590 Elm Avenue

Long Beach, CA 90807

Phone: 562-684-1102

Email: fsarmiento@linchousing.org

General Partner(s) or Principal Owner(s): Linc-Wilmington Apts LLC

General Partner Type: Nonprofit

Parent Company(ies): Linc Community Development Corporation

Developer: Linc Community Development 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: 56
 No. / % of Low Income Units: 55 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project Based Vouchers (55 units-100%)

Bond Information

Issuer: HCIDLA
 Expected Date of Issuance: June 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 55	100%

Unit Mix

55 1-Bedroom Units
<u>1 2-Bedroom Units</u>
56 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
55 1 Bedroom	30%	30%	\$634
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,325,000
Construction Costs	\$19,199,846
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,967,985
Soft Cost Contingency	\$312,108
Relocation	\$0
Architectural/Engineering	\$1,150,000
Const. Interest, Perm. Financing	\$1,946,424
Legal Fees	\$35,000
Reserves	\$905,099
Other Costs	\$1,645,049
Developer Fee	\$3,445,031
Commercial Costs	\$0
Total	\$31,931,542

Residential

Construction Cost Per Square Foot:	\$400
Per Unit Cost:	\$570,206
True Cash Per Unit Cost*:	\$570,206

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$16,525,000
LACDA Affordable Housing Funds	\$1,970,000
City of Los Angeles Prop HHH	\$8,456,608
Deferred Costs	\$1,711,679
GP Equity	\$945,131
Tax Credit Equity	\$2,323,123

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$8,816,000
LACDA Affordable Housing Funds	\$2,000,000
City of Los Angeles Prop HHH	\$12,100,000
GP Equity	\$945,131
Tax Credit Equity	\$8,070,411
TOTAL	\$31,931,542

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$28,963,782
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$28,963,782
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$938,427
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,445,031
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.85999

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:	\$28,963,782
Actual Eligible Basis:	\$28,963,782
Unadjusted Threshold Basis Limit:	\$19,010,760
Total Adjusted Threshold Basis Limit:	\$61,437,367

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.

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 3.24% 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

Development cost is over \$570,000 per unit. A factor driving this cost is the cost of real estate, labor and building materials in the Los Angeles region. Also affecting cost are the sustainability features and design elements incorporated into the project's design to satisfy City requirements and to best serve special needs tenants.

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.

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 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.