

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2023 First Round

July 26, 2023

North Harbor, located at 1251 North Harbor Boulevard in Anaheim, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$1,168,231 in total state tax credits to finance the adaptive reuse of 87 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 Corporation and will be located in Senate District 29 and Assembly District 68.

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 Project Homekey program of HCD.

Project Number CA-23-049

Project Name North Harbor
Site Address: 1251 North Harbor Boulevard
Anaheim, CA 92801
County: Orange
Census Tract: 866.01

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$1,168,231
Recommended:	\$2,500,000	\$1,168,231

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

Applicant Information

Applicant: Linc Housing Corporation
Contact: Anders Plett
Address: 3590 Elm Avenue
Long Beach, CA 90807
Phone: 562-684-1112
Email: aplett@linchousing.org

General Partner(s) / Principal Owner(s): Linc North Harbor Blvd, LLC
General Partner Type: Nonprofit
Parent Company(ies): Linc Housing Corporation
American Family Housing
Developer: Linc Housing Corporation
Investor/Consultant: Raymond James Housing Investments, Inc.
Management Agent(s): Aperto Property Management

Project Information

Construction Type: Adaptive Reuse
Total # Residential Buildings: 2
Total # of Units: 89
No. & % of Tax Credit Units: 87 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (87 Units - 100%)

Information

Set-Aside: Nonprofit (Homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
 % of Special Need Units: 66 units 75.86%
 Geographic Area: N/A
 CTCAC Project Analyst: Jacob Paixao

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	87	80%

Unit Mix

67 SRO/Studio Units
20 1-Bedroom Units
<u>2 2-Bedroom Units</u>
89 Total Units

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
67 SRO/Studio	30%	\$711
20 1 Bedroom	30%	\$762
2 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$23,670,918
Construction Costs	\$0
Rehabilitation Costs	\$20,563,903
Construction Contingency	\$2,602,731
Relocation	\$0
Architectural/Engineering	\$604,450
Const. Interest, Perm. Financing	\$3,312,052
Legal Fees	\$95,000
Reserves	\$709,156
Other Costs	\$8,093,000
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$61,851,210

Residential

Construction Cost Per Square Foot:	\$524
Per Unit Cost:	\$694,957
True Cash Per Unit Cost*:	\$694,957

Construction Financing

Source	Amount
Wells Fargo	\$21,598,715
HCD: Homekey	\$26,537,559
City of Anaheim: Existing Debt	\$2,877,959
City of Anaheim	\$4,900,649
Deferred Costs	\$1,340,720
Tax Credit Equity	\$4,595,608

Permanent Financing

Source	Amount
Wells Fargo	\$3,917,000
HCD: Homekey	\$26,537,559
City of Anaheim: Existing Debt	\$2,877,959
City of Anaheim	\$4,900,649
Tax Credit Equity	\$23,618,043
TOTAL	\$61,851,210

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,447,808
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,882,150
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$1,168,231
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Raymond James Housing Investments, Inc.
Federal Tax Credit Factor:	\$0.90388
State Tax Credit Factor:	\$0.87408

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.

Tie-Breaker Information

First:	Special Needs
Self-Score Final:	104.913%
CTCAC Final:	119.002%

Significant Information / Additional Conditions

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

This project will include the adaptive reuse of an existing 119-unit motel constructed in 1985. The motel will be renovated and reconfigured to include 89 total units. Upon completion, the project will include 87 LIHTC units and two manager’s units.

Staff noted a per unit cost of \$694,957. The applicant noted that the high per unit cost is attributed to higher acquisition and construction costs for adaptive reuse projects as compared to new construction or rehabilitation projects. The project is subject to federal and state requirements for prevailing wages. The project is also required by the Project Homekey program to house 50% of the existing interim homeless households during construction period, increasing construction costs.

Resyndication and Resyndication Transfer Event: None.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC 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	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of public park or community center open to general public	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 medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
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
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	109	109	109

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.