

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 First Round
July 11, 2012

Project Number CA-12-077

Project Name Mosaic Gardens at Huntington Park
 Site Address: 6337 Middleton Street
 Huntington Park, CA 90255 County: Los Angeles
 Census Tract: 5326.040

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$496,226 | \$0 |
| Recommended: | \$496,226 | \$0 |

Applicant Information

Applicant: LINC-Huntington Park Apartments Housing Investors, LP
 Contact: Suny Lay Chang
 Address: 110 Pine Avenue, Suite 500
 Long Beach, CA 90802
 Phone: 562-684-1108 Fax: 562-684-1137
 Email: schang@linchousing.org

General partner(s) or principal owner(s): LINC Housing Corporation
 LINC Community Development Corporation
 General Partner Type: Nonprofit
 Developer: LINC Housing Corporation
 Consultant: California Housing Partnership Corporation
 Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction/Adaptive Reuse
 Total # Residential Buildings: 1
 Total # of Units: 24
 No. & % of Tax Credit Units: 23 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (15 units / 65%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 36.96%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 15 65 %
 50% AMI: 8 30 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs (65% / 15 units) and Large Family (35% / 8 units)
 Type of Special Needs: Homeless Transition Age Youth
 % of Special Need Units: 15 units 65%
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

10 SRO/Studio Units
 6 1-Bedroom Units
 4 2-Bedroom Units
4 3-Bedroom Units
 24 Total Units

| <u>Unit Type & Number</u> | <u>2012 Rents Targeted % of Area Median Income</u> | <u>2012 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| * 7 SRO/Studio | 30% | 30% | \$443 |
| * 6 1 Bedroom | 30% | 30% | \$474 |
| * 1 2 Bedrooms | 30% | 30% | \$569 |
| * 1 3 Bedrooms | 30% | 30% | \$657 |
| 3 SRO/Studio | 50% | 50% | \$738 |
| 2 2 Bedrooms | 50% | 50% | \$948 |
| 3 3 Bedrooms | 50% | 50% | \$1,096 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | 0 |

* Special needs units/tenants.

Project Financing

Estimated Total Project Cost: \$9,340,994
 Estimated Residential Project Cost: \$9,340,994

Residential

Construction Cost Per Square Foot: \$97
 Per Unit Cost: \$389,208

| Construction Financing | | Permanent Financing | |
|-------------------------------------|---------------|---------------------------------------|--------------------|
| <u>Source</u> | <u>Amount</u> | <u>Source</u> | <u>Amount</u> |
| Bank of America | \$4,150,362 | City of Huntington Park | \$1,500,000 |
| City of Huntington Park | \$1,500,000 | CalHFA- MHSA | \$1,462,318 |
| CalHFA- MHSA | \$1,462,318 | County of LA - 1st Sup. District HSCF | \$300,000 |
| County of LA-1st Sup. District HSCF | \$300,000 | County of LA - Homeless Funds | \$500,000 |
| County of LA- Homeless Funds | \$500,000 | FHLB AHP | \$230,000 |
| Accrued/Deferred Soft Loan Interest | \$103,200 | Accrued/Deferred Soft Loan Interest | \$103,200 |
| Costs Deferred During Construction | \$466,720 | City of Huntington Park Waived Fees | \$164,181 |
| City of Huntington Park Waived Fees | \$164,181 | General Partner Equity | \$100 |
| General Partner Equity | \$100 | Tax Credit Equity | \$5,081,195 |
| Tax Credit Equity | \$694,113 | TOTAL | \$9,340,994 |

Determination of Credit Amount(s)

| | |
|--|--|
| Requested Eligible Basis (Rehabilitation): | \$5,089,500 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | \$6,616,350 |
| Applicable Rate: | 7.50% |
| Total Maximum Annual Federal Credit: | \$496,226 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$795,441 |
| Consultant: | California Housing Partnership Corporation |
| Federal Tax Credit Factor: | \$1.02397 |

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

| | |
|---------------------------------------|-------------|
| Requested Unadjusted Eligible Basis: | \$5,089,500 |
| Actual Eligible Basis: | \$6,098,381 |
| Unadjusted Threshold Basis Limit: | \$4,665,456 |
| Total Adjusted Threshold Basis Limit: | \$5,671,906 |

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees

Tie-Breaker Information

| | |
|---------|----------------------|
| First: | Special Needs |
| Second: | 64.060% |

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 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 7.50% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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.

Special Issues/Other Significant Information: This project is the Adaptive Reuse of a 55-unit motel which will involve its conversion to a 24-unit tax credit project for special needs tenants (65% / 15 units) and large family tenants (35% / 8 units), plus one manager's unit.

The applicant's estimate of the contractor overhead, profit, and general requirement costs exceeds the 14% limit of regulation 10327. At final review prior to the issuance of the IRS 8609 forms, the applicant must show that this limitation has been met, or the credits may be reduced.

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 city of Huntington Park, has completed a site review of this project and supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

| | |
|-----------------------------------|--------------------------------|
| Federal Tax Credits/Annual | State Tax Credits/Total |
| \$496,226 | \$0 |

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 ten 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)(6) 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.

Additional Conditions: None.

| Points System | Max. Possible Points | Requested Points | Points Awarded |
|--|-----------------------------|-------------------------|-----------------------|
| Cost Efficiency / Credit Reduction / Public Funds | 20 | 20 | 20 |
| Public Funds | 20 | 20 | 20 |
| 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 stop, service every 30 min, 25 units/acre density | 7 | 7 | 7 |
| Within ½ mile of public park or community center open to general public | 2 | 2 | 2 |
| Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf | 4 | 4 | 4 |
| Special Needs/SRO project within ½ mile of facility serving tenant pop. | 3 | 3 | 3 |
| Within ¼ mile of a pharmacy | 2 | 2 | 2 |
| Service Amenities | 10 | 10 | 10 |
| LARGE FAMILY | | | |
| Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms | 5 | 5 | 5 |
| Adult ed/health & wellness/skill bldg classes, minimum 36 hrs/yr instruction | 3 | 3 | 3 |
| After school program for school age children, minimum of 4 hours/week | 2 | 2 | 2 |
| SPECIAL NEEDS | | | |
| Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 600 bdrm | 3 | see above | see above |
| Adult ed/health & wellness/skill bldg classes, minimum 36 hrs/yr instruction | 2 | see above | see above |
| Sustainable Building Methods | 10 | 10 | 10 |
| ADAPTIVE REUSE | | | |
| Develop project in accordance w/ requirements of: LEED | 5 | 5 | 5 |
| Energy efficiency beyond CA Building Code Title 24 requirements: 17.5% | 3 | 3 | 2 |
| Develop project to requirements of: LEED Silver | 3 | 3 | 3 |
| Lowest Income | 52 | 52 | 52 |
| Basic Targeting | 50 | 50 | 50 |
| Deeper Targeting – at least 10% of units @ 30% AMI or less | 2 | 2 | 2 |
| Readiness to Proceed | 20 | 20 | 20 |
| Miscellaneous Federal and State Policies | 2 | 2 | 2 |
| State Credit Substitution | 2 | 2 | 2 |
| Total Points | 148 | 148 | 148 |

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.