

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
October 16, 2013  
REVISED**

**Project Number** CA-13-886

**Project Name** Holly Courts Apartments  
Site Address: 420 and 425 Maple Street  
West Sacramento, CA 95691 County: Yolo  
Census Tract: 102.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$211,921	\$0
Recommended:	\$211,921	\$0

**Applicant Information**

Applicant: LINC-Holly Court Housing Apartments Investors, L.P.  
Contact: Suny Lay Chang  
Address: 110 Pine Street, 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-Holly Court Apartments, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): LINC Housing Corporation  
Developer: LINC Housing Corporation  
Investor/Consultant: Community Economics  
Management Agent: U.S. Residential Group

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 10  
Total # of Units: 40  
No. & % of Tax Credit Units: 39 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 12  
Number of Units @ or below 60% of area median income: 27

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: December 4, 2013  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

20 2-Bedroom Units  
 16 3-Bedroom Units  
 4 4-Bedroom Units  
 40 Total Units

<u>Unit Type &amp; Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 2 Bedrooms	50%	47%	\$800
6 2 Bedrooms	60%	47%	\$800
6 2 Bedrooms	60%	51%	\$852
4 3 Bedrooms	50%	47%	\$923
8 3 Bedrooms	60%	47%	\$923
4 3 Bedrooms	60%	50%	\$978
1 4 Bedrooms	50%	47%	\$1,025
2 4 Bedrooms	60%	47%	\$1,025
1 4 Bedrooms	60%	51%	\$1,106
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$6,659,028  
 Estimated Residential Project Cost: \$6,659,028

**Residential**

Construction Cost Per Square Foot: \$29  
 Per Unit Cost: \$166,476

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank	\$3,339,119
City of West Sacramento	\$2,920,302
Tax Credit Equity	\$100,000

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citibank	\$1,590,550
City of West Sacramento	\$2,920,302
Income From Operations	\$58,386
GP Loan	\$174,822
GP Equity	\$197
Deferred Developer Fee	\$35,930
Tax Credit Equity	\$1,878,841
<b>TOTAL</b>	<b>\$6,659,028</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$1,833,141
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,239,429
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,383,084
Qualified Basis (Acquisition):	\$4,239,429
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$76,259
Maximum Annual Federal Credit, Acquisition:	\$135,662
Total Maximum Annual Federal Credit:	\$211,921
Approved Developer Fee (in Project Cost & Eligible Basis):	\$792,074
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.88658

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:	\$6,072,570
Actual Eligible Basis:	\$6,072,570
Unadjusted Threshold Basis Limit:	\$12,451,208
Total Adjusted Threshold Basis Limit:	\$16,186,570

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

**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 3.20% 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.

**Special Issues/Other Significant Information:** This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Holly Courts Apartments (CA-94-018).

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of West Sacramento Community Development Department, has completed a site review of this project and strongly 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$211,921</b>	<b>\$0</b>

**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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

**Additional Conditions:** The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program on-site