

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2017 First Round
June 7, 2017

6218 Compton Avenue, located at 6218 Compton Avenue in Los Angeles, requested a reservation of \$951,853, but is being recommended for a reservation of \$951,131 in annual federal tax credits (see **"Special Issues/Other Significant Information" section**) to finance the new construction of 29 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 33 and Assembly District 59.

Project Number CA-17-030

Project Name 6218 Compton Avenue
 Site Address: 6218 Compton Avenue
 Los Angeles, CA 90001 County: Los Angeles
 Census Tract: 5330.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$951,853	\$0
Recommended:	\$951,131	\$0

Applicant Information

Applicant: LINC-Compton Ave APTS, LP
 Contact: Will Sager
 Address: 555 E. Ocean Boulevard, Suite 900
 Long Beach, CA 90802
 Phone: 562-684-1127 Fax: 562-684-1137
 Email: wsager@linchousing.org

General Partner(s) / Principal Owner(s): LINC-Compton Ave APTS, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): LINC Community Development Corporation
 Developer: LINC Community Development Corporation
 Investor/Consultant: Raymond James
 Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 30
 No. & % of Tax Credit Units: 29 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Average Targeted Affordability of Special Needs/SRO Project Units: 30%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 29 80 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 % of Special Need Units: 29 units 100%
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Diane SooHoo

Unit Mix

29 1-Bedroom Units
1 2-Bedroom Units
 30 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	24%	\$389
26 1 Bedroom	30%	30%	\$488
1 2 Bedrooms	Manager's Unit	Manager's Unit	0

Projected Lifetime Rent Benefit: \$12,881,220

Project Cost Summary at Application

Land and Acquisition	\$1,465,000
Construction Costs	\$6,882,490
Rehabilitation Costs	\$0
Construction Contingency	\$716,449
Relocation	\$0
Architectural/Engineering	\$1,150,000
Const. Interest, Perm. Financing	\$436,135
Legal Fees, Appraisals	\$105,000
Reserves	\$599,409
Other Costs	\$1,222,633
Developer Fee	\$1,212,209
Commercial Costs	\$0
Total	\$13,789,325

Project Financing

Estimated Total Project Cost:	\$13,789,325
Estimated Residential Project Cost:	\$13,789,325
Estimated Commercial Project Cost:	\$0

Construction Financing

Source	Amount
Citibank	\$5,507,539
County of Los Angeles HOME	\$4,960,500
County of Los Angeles Fee Waiver	\$164,000
Deferred Costs	\$1,540,934
General Partner Equity	\$100
Tax Credit Equity	\$1,616,252

Residential

Construction Cost Per Square Foot:	\$210
Per Unit Cost:	\$459,644
True Cash Per Unit Cost*:	\$454,177

Permanent Financing

Source	Amount
County of Los Angeles HOME	\$5,010,500
County of Los Angeles Fee Waiver	\$164,000
General Partner Equity	\$100
Tax Credit Equity	\$8,614,725
TOTAL	\$13,789,325

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,135,581
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$10,576,255
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$951,131
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,212,209
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.90573

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:	\$8,135,581
Actual Eligible Basis:	\$9,497,939
Unadjusted Threshold Basis Limit:	\$6,330,359
Total Adjusted Threshold Basis Limit:	\$9,504,478

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
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- 100% of Units for Special Needs Population
- One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:
 - Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
 - Project meets all requirements of US EPA Indoor Air Plus Program.
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	52.052%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

The project will be receiving rental assistance from the County of Los Angeles Department of Health Services in the form of rental subsidy.

Staff noted the residential developer fee in cost was in excess of the \$1,212,209 limit required by TCAC regulation section 10327(c)(2)(A). The cost was reduced accordingly, which resulted in a reduction to the federal credit amount recommended for this project.

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, Los Angeles County Community Development Commission, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$951,131	\$0

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.

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)(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, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of:LEED	5	5	5
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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.