

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

5th & Sonora Apartments, located at 1412, 1414, 1418, & 1422 5th Street and 1116 Sonora Avenue in Glendale, requested and is being recommended for a reservation of \$1,347,840 in annual federal tax credits to finance the new construction of 65 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by LINC Housing Corporation and will be located in Senate District 25 and Assembly District 43.

Project Number CA-17-110

Project Name 5th & Sonora Apartments
Site Address: 1412, 1414, 1418 & 1422 5th Street and 1116 Sonora Avenue
Glendale, CA 91201 County: Los Angeles
Census Tract: 3015.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,347,840	\$0
Recommended:	\$1,347,840	\$0

Applicant Information

Applicant: LINC-CORE Housing Partners-Glendale, LP
Contact: Suny Lay Chang
Address: 555 E Ocean Blvd, Suite 900
Long Beach, CA 90802
Phone: 562-684-1108 Fax: 562-684-1137
Email: schang@linchousing.org

General Partner(s) / Principal Owner(s): LINC-Glendale APTS, LLC
NCRC Glendale GP LLC
General Partner Type: Nonprofit
Parent Company(ies): LINC Housing Corporation
National Community Renaissance of California
Developer: LINC Housing Corporation
Investor/Consultant: Raymond James Tax Credit Funds, Inc
Management Agent(s): National Community Renaissance of California

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 66
 No. & % of Tax Credit Units: 65 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 7 10 %
 45% AMI: 23 35 %
 50% AMI: 20 30 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

60 1-Bedroom Units
6 2-Bedroom Units
 66 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	30%	30%	\$507
1 2 Bedrooms	30%	30%	\$608
21 1 Bedroom	45%	45%	\$760
2 2 Bedrooms	45%	43%	\$875
18 1 Bedroom	50%	46%	\$778
2 2 Bedrooms	50%	50%	\$1,013
15 1 Bedroom	60%	60%	\$1,014
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$40,434,240

Project Cost Summary at Application

Land and Acquisition	\$7,195,000
Construction Costs	\$10,564,692
Rehabilitation Costs	\$0
Construction Contingency	\$557,985
Relocation	\$370,000
Architectural/Engineering	\$825,000
Const. Interest, Perm. Financing	\$793,891
Legal Fees, Appraisals	\$156,000
Reserves	\$134,597
Other Costs	\$1,665,055
Developer Fee	\$1,987,182
Commercial Costs	\$0
Total	\$24,249,402

Project Financing

Estimated Total Project Cost:	\$24,249,402
Estimated Residential Project Cost:	\$24,249,402
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$166
Per Unit Cost:	\$367,415
True Cash Per Unit Cost*:	\$267,415

Construction Financing

Source	Amount
Citibank	\$12,288,871
City of Glendale Land Loan	\$6,600,000
City of Glendale Development Loan	\$2,700,000
AHP	\$650,000
GP Capital Contribution	\$100
Costs Deferred Until Construction	\$845,111
Tax Credit Equity	\$1,165,320

Permanent Financing

Source	Amount
Citibank	\$1,611,100
City of Glendale Land Loan	\$6,600,000
City of Glendale Development Loan	\$2,700,000
AHP	\$650,000
GP Capital Contribution	\$100
Tax Credit Equity	\$12,688,202
TOTAL	\$24,249,402

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,520,002
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,976,003
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,347,840
Approved Developer Fee in Project Cost:	\$1,987,182
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Raymond James Tax Credit Funds, Inc
Federal Tax Credit Factor:	\$0.94137

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$11,520,002
Actual Eligible Basis:	\$16,143,427
Unadjusted Threshold Basis Limit:	\$14,091,060
Total Adjusted Threshold Basis Limit:	\$14,719,528

Adjustments to Basis Limit

Local Development Impact Fees

Tie-Breaker Information

First:	Seniors
Final:	53.743%

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. 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: None.

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 Glendale Department of Community Redevelopment & Housing, 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
\$1,347,840	\$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 ½ 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 ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
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.