CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 15, 2017

Seasons at Ontario, located at 955 North Palmetto Avenue in Ontario, requested and is being recommended for a reservation of $409,489 in annual federal tax credits to finance the acquisition and rehabilitation of 78 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by LINC Housing Corporation and is located in Senate District 20 and Assembly District 52.

Seasons at Ontario is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Season at Ontario Gateway Plaza (CA-1996-907). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-794

Project Name Seasons at Ontario
Site Address: 955 N. Palmetto Avenue
Ontario, CA 91762 County: San Bernardino
Census Tract: 11.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$409,489	$0
Recommended:	$409,489	$0

Applicant Information
Applicant: LINC Ontario Apartments LP
Contact: Janees Williams
Address: 555 E. Ocean Blvd. Suite 900
Long Beach, CA 90802
Phone: 562-684-1144 Fax: 562-684-1137
Email: jwilliams@linchousing.org

General Partner(s) or Principal Owner(s): LINC Ontario Apartments LLC
General Partner Type: Nonprofit
Parent Company(ies): LINC Housing Corporation
Developer: LINC Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: U.S. Residential Group

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	80
No. & % of Tax Credit Units:	78 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
Utility Allowance:	CUAC
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	8
Number of Units @ or below 60% of area median income:	70

Bond Information

Issuer:	The City of Ontario
Expected Date of Issuance:	December 31, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	Zhuo Chen

Unit Mix

61 1-Bedroom Units
19 2-Bedroom Units
80 Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	50%	50%	$605
4	2 Bedrooms	50%	50%	$726
21	1 Bedroom	60%	54%	$650
3	2 Bedrooms	60%	50%	$732
36	1 Bedroom	60%	60%	$726
10	2 Bedrooms	60%	60%	$871
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $15,707,340

Project Cost Summary at Application

Land and Acquisition	$6,875,000
Construction Costs	$0
Rehabilitation Costs	$3,168,452
Construction Contingency	$316,845
Relocation	$65,000
Architectural/Engineering	$180,000
Const. Interest, Perm. Financing	$766,368
Legal Fees, Appraisals	$42,500
Reserves	$172,976
Other Costs	$303,075
Developer Fee	$1,643,433
Commercial Costs	$0
Total	**$13,533,649**

Project Financing

Estimated Total Project Cost:	$13,533,649
Estimated Residential Project Cost:	$13,533,649
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$53
Per Unit Cost:	$169,171
True Cash Per Unit Cost*:	$150,891

Construction Financing

Source	Amount
BBVA Compass - T.E. Bonds	$7,447,037
City of Ontario - RDA (Assumed)	$4,185,840
Accrued Interest	$167,400
Deferred Costs	$533,167
Deferred Developer Fee	$1,106,050
General Partner Equity	$100
Tax Credit Equity	$94,055

Permanent Financing

Source	Amount
BBVA Compass - T.E. Bonds	$2,586,200
City of Ontario - RDA (Assumed)	$4,185,840
Accrued Interest	$167,400
Seller Carryback Loan	$356,306
General Partner Weatherization Loan	$596,160
Net Operating Income	$279,499
Deferred Developer Fee	$1,106,050
General Partner Equity	$100
Tax Credit Equity	$4,256,094
TOTAL	**$13,533,649**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,814,150
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$7,785,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,814,150
Qualified Basis (Acquisition):	$7,785,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$156,460
Maximum Annual Federal Credit, Acquisition:	$253,029
Total Maximum Annual Federal Credit:	$409,489
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,643,433
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.03937

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$12,599,650
Actual Eligible Basis:	$12,599,650
Unadjusted Threshold Basis Limit:	$19,646,310
Total Adjusted Threshold Basis Limit:	$21,610,941

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: 10%

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 3.25% 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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1996-907). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/1999 through 12/31/2013. The existing regulatory agreement expires 12/31/2028. The existing regulatory agreement income targeting is 78 units at or below 60% AMI. The new reservation of tax credits will result in moderately deeper rent/income targeting than the original award of tax credits by restricting 8 units at or below 50% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

The applicant has requested the use of a CUAC utility allowance. Use of CUAC is limited to new construction projects and to existing tax credit projects with Multifamily Affordable Solar Housing (MASH) program awards that offset tenant area electrical load. TCAC staff is in the process of reviewing the CUAC documentation for this existing project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

Local Reviewing Agency
The Local Reviewing Agency, the City of Ontario, 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
$409,489	**$0**

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 fifteen (15) 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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- Wellness services and programs providing individualized support for tenants on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The rehabilitation project commits to include photovoltaic (PV) generation that offsets 30% tenant loads (if the combined available roof area of the project structures, including carports, is insufficient for provision of 30% of annual tenant electricity use, then the project shall have onsite renewable generation based on at least 90 percent (90%) of the available solar accessible roof area).