

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

Mosaic Gardens at Westlake, located at 1416 W. Beverly Boulevard in Los Angeles, CA, requested and is being recommended for a reservation of \$2,240,144 in annual federal tax credits and \$6,722,450 in total state tax credits to finance the new construction of 123 low-income units of housing serving homeless households, large families, and 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 22 and Assembly District 45.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the MHP, IIG, and AHSC programs of HCD.

Project Number CA-15-122

Project Name Mosaic Gardens at Westlake
Site Address: 1416 W. Beverly Blvd.
Los Angeles, CA 90026 County: Los Angeles
Census Tract: 2083.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,240,144	\$6,722,450
Recommended:	\$2,240,144	\$6,722,450

Applicant Information

Applicant: LINC-Westlake Apartments, LP
Contact: Monica Mejia
Address: 555 E. Ocean Blvd, Suite 900
Long Beach, CA 90802
Phone: 562-684-1131 Fax: 562-684-1137
Email: mmejia@linchousing.org

General Partner(s) / Principal Owner(s): LINC-Westlake Apartments, LLC
General Partner Type: Nonprofit
Parent Company(ies): LINC Housing Corporation
Developer: LINC Housing Corporation
Investor/Consultant: Raymond James Tax Credit Funds, Inc.
Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 125
 No. & % of Tax Credit Units: 123 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (63 Units - 51%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 50 40 %
 35% AMI: 13 10 %
 50% AMI: 25 20 %

Information

Set-Aside: Nonprofit (Homeless Assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 % of Special Need Units: 63 units 51%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

80 1-Bedroom Units
 15 2-Bedroom Units
 30 3-Bedroom Units

 125 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	30%	26%	\$398
36 1 Bedroom	30%	30%	\$466
8 1 Bedroom	35%	30%	\$466
12 1 Bedroom	50%	50%	\$778
23 1 Bedroom	60%	60%	\$933
5 2 Bedrooms	30%	30%	\$560
2 2 Bedrooms	35%	30%	\$560
2 2 Bedrooms	50%	50%	\$933
5 2 Bedrooms	60%	60%	\$1,120
8 3 Bedrooms	30%	30%	\$647
3 3 Bedrooms	35%	30%	\$647
11 3 Bedrooms	50%	50%	\$1,079
7 3 Bedrooms	60%	60%	\$1,295
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,403,148
Construction Costs	\$35,344,556
Rehabilitation Costs	\$0
Construction Contingency	\$3,686,956
Relocation	\$360,000
Architectural/Engineering	\$1,731,121
Construction Interest, Perm Financing	\$2,833,848
Legal Fees, Appraisals	\$55,450
Reserves	\$1,444,915
Other Costs	\$4,035,564
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$57,895,558

Project Financing

Estimated Total Project Cost:	\$57,895,558
Estimated Residential Project Cost:	\$57,895,558

Residential

Construction Cost Per Square Foot:	\$279
Per Unit Cost:	\$463,164

Construction Financing

Source	Amount
Citibank, N.A.	\$37,183,705
HCD - IIG	\$4,000,000
HCIDLA - HOME	\$6,690,000
LACDC - AHTF	\$1,635,000
AHP	\$1,230,000
Costs Deferred Until Completion	\$1,884,915
Deferred Developer Fee	\$810,000
General Partner Equity	\$100
Tax Credit Equity	\$4,461,838

Permanent Financing

Source	Amount
Citibank, N.A.	\$4,233,200
HCD - IIG	\$4,000,000
HCD - AHSC Grant	\$1,482,000
HCD - AHSC Loan	\$418,000
HCD - MHPSH	\$7,000,000
HCIDLA - HOME	\$6,690,000
LACDC - AHTF	\$1,635,000
AHP	\$1,230,000
Deferred Developer Fee	\$810,000
General Partner Equity	\$100
Tax Credit Equity	\$30,397,258
TOTAL	\$57,895,558

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,408,165
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$29,130,615
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$2,240,144
Total State Credit:	\$6,722,445
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Raymond James Tax Credit Funds, Inc.
Federal Tax Credit Factor:	\$1.13487
State Tax Credit Factor:	\$0.74000

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:	\$22,408,165
Actual Eligible Basis:	\$47,899,384
Unadjusted Threshold Basis Limit:	\$28,445,440
Total Adjusted Threshold Basis Limit:	\$38,970,253

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	72.432%

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 7.69% 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 consists of two buildings where the special needs units for homeless households will be spread across both buildings. One building will be for large families and the other building will be age-restricted where where the head of household member will be aged 62 years or older. This special needs project is providing 63 units for homeless households subsidized with HUD Section 8 project-based voucher (PBV) rental subsidies. TCAC has received a legal opinion that the project, as proposed, meets all federal, state and local Fair Housing Law with regards to the project combining senior age-restricted head of household units and family units.

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 Los Angeles Housing and Community Investment 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:

Federal Tax Credits/Annual
\$2,240,144

State Tax Credits/Total
\$6,722,450

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 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 ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	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	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.