CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 18, 2017
REVISED

Bartlett Hill Manor, located at 625 N. Bunker Hill Avenue and 816 Bartlett Street in Los Angeles, requested and is being recommended for a reservation of $851,774 in annual federal tax credits to finance the acquisition and rehabilitation of 64 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 51 and Assembly District 24.

Project Number	CA-17-795		
Project Name	Bartlett Hill Manor		
Site Address:	625 N. Bunker Hill Avenue and 816 Bartlett Street		
	Los Angeles, CA 90012	County:	Los Angeles
Census Tract:	2071.01		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$851,774	$0
Recommended:	$851,774	$0

Applicant Information

Applicant:	LINC- Bartlett 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-Bartlett Apartments LLC
General Partner Type:	Nonprofit
Parent Company(ies):	LINC Housing Corporation
Developer:	LINC Housing Corporation
Investor/Consultant:	Raymond James Tax Credit Funds
Management Agent:	U.S. Residential Group

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	2	
Total # of Units:	65	
No. & % of Tax Credit Units:	64	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: 21
Number of Units @ or below 60% of area median income: 43

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	March 1, 2018
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

Unit Mix

8	1-Bedroom Units
45	2-Bedroom Units
12	3-Bedroom Units
65	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	38%	$648
9	2 Bedrooms	50%	34%	$696
10	3 Bedrooms	50%	29%	$686
1	2 Bedrooms	60%	36%	$729
6	1 Bedroom	60%	57%	$965
35	2 Bedrooms	60%	50%	$1,021
1	3 Bedrooms	60%	60%	$1,406
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $67,652,640

Project Cost Summary at Application	
Land and Acquisition	$13,755,000
Construction Costs	$0
Rehabilitation Costs	$6,505,730
Construction Contingency	$650,573
Relocation	$895,615
Architectural/Engineering	$367,025
Const. Interest, Perm. Financing	$1,100,800
Legal Fees, Appraisals	$80,000
Reserves	$182,652
Other Costs	$597,327
Developer Fee	$3,032,358
Commercial Costs	$0
Total	**$27,167,080**

Project Financing	
Estimated Total Project Cost:	$27,167,080
Estimated Residential Project Cost:	$27,167,080
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$123
Per Unit Cost:	$417,955
True Cash Per Unit Cost*:	$362,651

Construction Financing

Source	Amount
CalHFA - Tax Exempt Bond Loan	$14,511,998
HCIDLA - CRA II	$983,311
HCIDLA - CRA II Accrued Interest	$35,100
HCIDLA - CRA Preservation Loan	$7,000,702
HCIDLA - CRA Accrued Interest	$280,000
Seller Note	$1,333,731
Seller Note accrued interest	$46,200
Costs Deferred During Construction	$419,045
General Partner Equity	$100
Deferred Developer fee	$2,261,049
Tax Credit Equity	$295,844

Permanent Financing

Source	Amount
CalHFA - Tax Exempt Bond Loan	$3,640,000
CalHFA Preservation Loan	$1,700,000
HCIDLA - CRA II	$983,311
HCIDLA - CRA II Accrued Interest	$35,100
HCIDLA - CRA Preservation Loan	$8,500,702
HCIDLA - CRA Accrued Interest	$280,000
Seller Note	$1,333,731
Seller Note accrued interest	$46,200
General Partner Equity	$100
Deferred Devloper Fee	$2,261,049
Tax Credit Equity	$8,386,887
TOTAL	**$27,167,080**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,867,829
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$13,380,250
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,828,178
Qualified Basis (Acquisition):	$13,380,250
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$416,916
Maximum Annual Federal Credit, Acquisition:	$434,858
Total Maximum Annual Federal Credit:	$851,774
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,032,358
Investor/Consultant:	Raymond James Tax Credit Funds
Federal Tax Credit Factor:	$0.98464

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:	$23,248,079
Actual Eligible Basis:	$23,248,079
Unadjusted Threshold Basis Limit:	$18,918,544
Total Adjusted Threshold Basis Limit:	$24,972,478

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: 32%

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
This scattered site project has two sites separated by a single building.

This project previously was a tax credit project, CA-89-250, but it never had a TCAC regulatory agreement recorded on the property and is therefore no longer a tax credit project. As a result, the existing tenants that may have been qualified tax-credit tenants at move-in under CA-89-250, and any other existing tenants that moved in after the 15-year compliance period, will have to requalify as tax-credit tenants in CA-17-795. The project currently has 11 over-income tenants the applicant plans on permanently relocating.

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	State Tax Credits/Total
$851,774	**$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 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 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.