

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2023 First Round**

**July 26, 2023**

North Harbor, located at 1251 North Harbor Boulevard in Anaheim, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$1,168,231 in total state tax credits to finance the adaptive reuse of 87 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 Housing Corporation and will be located in Senate District 29 and Assembly District 68.

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 Project Homekey program of HCD.

**Project Number** CA-23-049

**Project Name** North Harbor  
Site Address: 1251 North Harbor Boulevard  
Anaheim, CA 92801  
County: Orange  
Census Tract: 866.01

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total *</b> |
|---------------------------|-----------------------|----------------------|
| Requested:                | \$2,500,000           | \$1,168,231          |
| Recommended:              | \$2,500,000           | \$1,168,231          |

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

Applicant: Linc Housing Corporation  
Contact: Anders Plett  
Address: 3590 Elm Avenue  
Long Beach, CA 90807  
Phone: 562-684-1112  
Email: aplett@linchousing.org

General Partner(s) / Principal Owner(s): Linc North Harbor Blvd, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): Linc Housing Corporation  
American Family Housing  
Developer: Linc Housing Corporation  
Investor/Consultant: Raymond James Housing Investments, Inc.  
Management Agent(s): Aperto Property Management

**Project Information**

Construction Type: Adaptive Reuse  
Total # Residential Buildings: 2  
Total # of Units: 89  
No. & % of Tax Credit Units: 87 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HUD Section 8 Project-based Vouchers ( 87 Units - 100%)

**Information**

Set-Aside: Nonprofit (Homeless assistance)  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless  
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%  
 % of Special Need Units: 66 units 75.86%  
 Geographic Area: N/A  
 CTCAC Project Analyst: Jacob Paixao

**55-Year Use / Affordability**

| <u>Aggregate Targeting</u> | <u>Number of Units</u> | <u>Percent of Required Affordable Units</u> |
|----------------------------|------------------------|---|
| At or Below 30% AMI:       | 87                     | 80%   |

**Unit Mix**

|                          |
|--------------------------|
| 67 SRO/Studio Units      |
| 20 1-Bedroom Units       |
| <u>2 2-Bedroom Units</u> |
| 89 Total Units           |

| <u>Unit Type &amp; Number</u> | <u>2022 Rents Targeted % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|
| 67 SRO/Studio                 | 30%  | \$711                                      |
| 20 1 Bedroom                  | 30%  | \$762                                      |
| 2 2 Bedrooms                  | Manager's Unit                                     | \$0  |

**Project Cost Summary at Application**

|                                  |                     |
|----------------------------------|---------------------|
| Land and Acquisition             | \$23,670,918        |
| Construction Costs               | \$0                 |
| Rehabilitation Costs             | \$20,563,903        |
| Construction Contingency         | \$2,602,731         |
| Relocation                       | \$0                 |
| Architectural/Engineering        | \$604,450           |
| Const. Interest, Perm. Financing | \$3,312,052         |
| Legal Fees                       | \$95,000            |
| Reserves                         | \$709,156           |
| Other Costs                      | \$8,093,000         |
| Developer Fee                    | \$2,200,000         |
| Commercial Costs                 | \$0                 |
| <b>Total</b>                     | <b>\$61,851,210</b> |

**Residential**

|                                    |           |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$524     |
| Per Unit Cost:                     | \$694,957 |
| True Cash Per Unit Cost*:          | \$694,957 |

| <b>Construction Financing</b>  |               | <b>Permanent Financing</b>     |                     |
|--------------------------------|---------------|--------------------------------|---------------------|
| <u>Source</u>                  | <u>Amount</u> | <u>Source</u>                  | <u>Amount</u>       |
| Wells Fargo                    | \$21,598,715  | Wells Fargo                    | \$3,917,000         |
| HCD: Homekey                   | \$26,537,559  | HCD: Homekey                   | \$26,537,559        |
| City of Anaheim: Existing Debt | \$2,877,959   | City of Anaheim: Existing Debt | \$2,877,959         |
| City of Anaheim                | \$4,900,649   | City of Anaheim                | \$4,900,649         |
| Deferred Costs                 | \$1,340,720   | Tax Credit Equity              | \$23,618,043        |
| Tax Credit Equity              | \$4,595,608   | <b>TOTAL</b>                   | <b>\$61,851,210</b> |

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

**Determination of Credit Amount(s)**

|  |   |
|--|---|
| Requested Eligible Basis:                                  | \$21,447,808                            |
| 130% High Cost Adjustment:                                 | Yes                                     |
| Applicable Fraction:                                       | 100.00%                                 |
| Qualified Basis:   | \$27,882,150                            |
| Applicable Rate:   | 9.00%                                   |
| Total Maximum Annual Federal Credit:                       | \$2,500,000                             |
| Total State Credit:  | \$1,168,231                             |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,200,000                             |
| Investor/Consultant:                                       | Raymond James Housing Investments, Inc. |
| Federal Tax Credit Factor:                                 | \$0.90388                               |
| State Tax Credit Factor:                                   | \$0.87408                               |

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Tie-Breaker Information**

|                   |                      |
|-------------------|----------------------|
| First:            | <b>Special Needs</b> |
| Self-Score Final: | <b>104.913%</b>      |
| CTCAC Final:      | <b>119.002%</b>      |

**Significant Information / Additional Conditions**

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

This project will include the adaptive reuse of an existing 119-unit motel constructed in 1985. The motel will be renovated and reconfigured to include 89 total units. Upon completion, the project will include 87 LIHTC units and two manager’s units.

Staff noted a per unit cost of \$694,957. The applicant noted that the high per unit cost is attributed to higher acquisition and construction costs for adaptive reuse projects as compared to new construction or rehabilitation projects. The project is subject to federal and state requirements for prevailing wages. The project is also required by the Project Homekey program to house 50% of the existing interim homeless households during construction period, increasing construction costs.

**Resyndication and Resyndication Transfer Event:** None.

**Local Reviewing Agency**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC 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)(5) 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.

| <b>Points System</b>  | <b>Max. Possible Points</b> | <b>Requested Points</b> | <b>Points Awarded</b> |
|---|-----------------------------|-------------------------|-----------------------|
| <b>Owner / Management Characteristics</b>                                 | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| General Partner Experience  | 7                           | 7                       | 7                     |
| Management Experience   | 3                           | 3                       | 3                     |
| <b>Housing Needs</b>  | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>Site Amenities</b>   | <b>15</b>                   | <b>15</b>               | <b>15</b>             |
| Within ½ mile of public park or community center open to general public   | 3                           | 3                       | 3                     |
| Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf   | 5                           | 5                       | 5                     |
| Within 1 mile of medical clinic or hospital                               | 2                           | 2                       | 2                     |
| Within ½ mile of a pharmacy   | 2                           | 2                       | 2                     |
| <b>Service Amenities</b>  | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>SPECIAL NEEDS HOUSING TYPE</b>   |                             |                         |                       |
| Case Manager, minimum ratio of 1 FTE to 100 bedrooms                      | 5                           | 5                       | 5                     |
| Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction | 5                           | 5                       | 5                     |
| <b>Lowest Income</b>  | <b>52</b>                   | <b>52</b>               | <b>52</b>             |
| Basic Targeting   | 50                          | 50                      | 50                    |
| Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less     | 2                           | 2                       | 2                     |
| <b>Readiness to Proceed</b>   | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>Miscellaneous Federal and State Policies</b>                           | <b>2</b>                    | <b>2</b>                | <b>2</b>              |
| State Credit Substitution   | 2                           | 2                       | 2                     |
| <b>Total Points</b>   | <b>109</b>                  | <b>109</b>              | <b>109</b>            |

**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.**