

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Sun Commons, located at 6329-6355 North Clybourn Avenue in Los Angeles, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$6,176,689 in total state tax credits to finance the new construction of 101 units of housing serving special needs tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Abbey Road, Inc. and will be located in Senate District 18 and Assembly District 39.

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 SHMHP program of HCD.

Project Number CA-20-034

Project Name Sun Commons
Site Address: 6329-6355 North Clybourn Avenue
Los Angeles, CA 91606 County: Los Angeles
Census Tract: 1231.030

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$6,176,698
Recommended:	\$2,500,000	\$6,176,698

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

Applicant Information

Applicant: Abbey Road, Inc.
Contact: Maura Johnson
Address: 15305 Rayen Street
North Hills, CA 91343
Phone: 818-332-8208
Email: m.johnson@pennylane.org

General Partner(s) / Principal Owner(s): Abbey Road, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Penny Lane Centers
Developer: Abbey Road, Inc.
Investor/Consultant: California Housing Partnership
Management Agent(s): Barker Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 103
No. & % of Tax Credit Units: 101 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME / HUD Project-based Vouchers (51 units - 50%)

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless/ transition age youth
 Average Targeted Affordability of Special Needs/SRO Project Units: 41.68%
 % of Special Need Units: 51 units 50%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 51	50%
At or Below 40% AMI: 11	10%
At or Below 50% AMI: 12	10%
At or Below 60% AMI: 28	25%

Unit Mix

16 SRO/Studio Units
29 1-Bedroom Units
32 2-Bedroom Units
26 3-BedroomUnits
103 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16 SRO/Studio	30%	30%	\$548
14 1 Bedroom	30%	30%	\$587
15 2 Bedrooms	30%	30%	\$705
6 3 Bedrooms	30%	30%	\$814
3 1 Bedroom	40%	40%	\$783
3 2 Bedrooms	40%	40%	\$940
4 3 Bedrooms	40%	40%	\$1,085
4 1 Bedroom	50%	50%	\$979
4 2 Bedrooms	50%	50%	\$1,175
4 3 Bedrooms	50%	50%	\$1,357
7 1 Bedroom	60%	60%	\$1,174
10 2 Bedrooms	60%	60%	\$1,410
11 3 Bedrooms	60%	60%	\$1,628
1 1 Bedroom	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	\$6,049,745
Construction Costs	\$40,119,739
Rehabilitation Costs	\$0
Construction Contingency	\$2,369,476
Relocation	\$0
Architectural/Engineering	\$1,383,300
Const. Interest, Perm. Financing	\$4,573,065
Legal Fees	\$180,000
Reserves	\$918,020
Other Costs	\$2,450,101
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$60,243,446

Residential

Construction Cost Per Square Foot:	\$414
Per Unit Cost:	\$584,888
True Cash Per Unit Cost*:	\$584,888

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo	\$41,454,916
HCIDLA - HHH	\$12,000,000
LACDA	\$1,950,000
Deferred Costs	\$2,074,430
General Partner Contribution	\$100
Tax Credit Equity	\$2,764,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC	\$7,707,000
HCD - SHMHP	\$6,727,882
HCIDLA - HHH	\$12,000,000
HCIDLA - HOME	\$3,000,000
LACDA	\$2,000,000
General Partner Contribution	\$100
Tax Credit Equity	\$28,808,464
TOTAL	\$60,243,446

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$52,191,958
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$67,849,545
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$6,176,698
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.95468

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$52,191,958
Actual Eligible Basis:	\$52,191,958
Unadjusted Threshold Basis Limit:	\$35,651,702
Total Adjusted Threshold Basis Limit:	\$53,991,153

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation.

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project shall be more energy efficient than the 2019 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all interior floor space other than units (where no VOC adhesives or backing is also used)

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	66.845%

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 meet or 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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: 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 Los Angeles, HCIDLA, has completed a site review of this project and strongly supports this project.

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.

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)(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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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, 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 1 mile of public library	2	2	2
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¾ mile of a public elementary school	2	2	2
Special Needs project within ½ mile of facility serving tenant population	3	3	0
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
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
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	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Total Points	113	113	113

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.