

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
September 16, 2020**

Sunny Garden Apartments, located at 13712 Sunkist Drive in La Puente, requested and is being recommended for a reservation of \$998,652 in annual federal tax credits to finance the acquisition and rehabilitation of 94 units of housing serving seniors with rents affordable to households earning 50-60% AMI of area median income (AMI). The project will be developed by Alliance Property Group Inc. and is located in Senate District 22 and Assembly District 57.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number	CA-20-603	
Project Name	Sunny Garden Apartments	
Site Address:	13712 Sunkist Drive La Puente, CA 91746	County: Los Angeles
Census Tract:	4069.01	

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$998,652	\$0
Recommended:	\$998,652	\$0

Applicant Information

Applicant:	Sunny Garden Apartments 2, LP
Contact:	Danielle Curls Bennett
Address:	1730 E. Holly Avenue El Segundo, CA 90245
Phone:	(424) 369-4570
Email:	dcurlsbennett@apg-dev.com
General Partner(s) or Principal Owner(s):	Sunny Garden GP, LLC Community Revitalization and Development Corp.
General Partner Type:	Joint Venture
Parent Company(ies):	Alliance Property Group Inc. Community Revitalization and Development Corp.
Developer:	Alliance Property Group Inc.
Investor/Consultant:	Candeur Group
Management Agent:	FPI Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 95
 No. / % of Low Income Units: 94 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD FHA 221d4 Loan

Bond Information

Issuer: Los Angeles County Development Authority
 Expected Date of Issuance: October 1, 2020

Information

Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Elaine Johnson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 88	94%
60% AMI: 6	6%

Unit Mix

94 1-Bedroom Units
1 2-Bedroom Units
 95 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
88 1 Bedroom	50%	50%	\$1,056
6 1 Bedroom	60%	60%	\$1,267
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,600

Project Cost Summary at Application

Land and Acquisition	\$18,042,123
Construction Costs	\$0
Rehabilitation Costs	\$6,589,200
Construction Hard Cost Contingency	\$658,920
Soft Cost Contingency	\$44,348
Relocation	\$27,000
Architectural/Engineering	\$217,676
Const. Interest, Perm. Financing	\$3,134,110
Legal Fees	\$135,000
Reserves	\$672,250
Other Costs	\$206,537
Developer Fee	\$3,067,676
Commercial Costs	\$0
Total	\$32,794,840

Residential

Construction Cost Per Square Foot:	\$115
Per Unit Cost:	\$345,209
True Cash Per Unit Cost*:	\$325,656

Construction Financing

Source	Amount
RBC Capital Markets (TE Bonds)	\$16,000,000
Rose Community Capital (FHA 221d4)	\$4,000,000
LACDA Loan	\$1,000,000
NOI During Rehab	\$840,000
Deferred Costs	\$3,924,997
Tax Credit Equity	\$7,029,843

Permanent Financing

Source	Amount
Rose Community Capital (FHA 221d4)	\$20,000,000
LACDA Loan	\$1,000,000
NOI During Rehab	\$1,200,000
Deferred Developer Fee	\$1,857,536
Tax Credit Equity	\$8,737,304
TOTAL	\$32,794,840

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
 LACDA - Los Angeles County Development Authority
 NOI - Net Operating Income

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$10,118,607
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$17,668,559
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$13,154,189
Qualified Basis (Acquisition):	\$17,668,559
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$426,191
Maximum Annual Federal Credit, Acquisition:	\$572,461
Total Maximum Annual Federal Credit:	\$998,652
Approved Developer Fee (in Project Cost & Eligible Basis)	\$3,067,676
Investor/Consultant:	Candeur Group
Federal Tax Credit Factor:	\$0.87491

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$27,787,166
Actual Eligible Basis:	\$27,787,166
Unadjusted Threshold Basis Limit:	\$32,201,808
Total Adjusted Threshold Basis Limit:	\$71,810,032

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
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 93%

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 3.24% 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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

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.

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 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.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.