

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Serenity Apartments, located at 923-935 S Kenmore Avenue in Los Angeles, requested and is being recommended for a reservation of \$1,494,789 in annual federal tax credits to finance the new construction of 74 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 Domus Development, LLC and will be located in Senate District 24 and Assembly District 53.

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 NPLH program of HCD.

Project Number	CA-20-621
Project Name	Serenity Apartments
Site Address:	923-935 S Kenmore Avenue Los Angeles, CA 90006
Census Tract:	2123.05
	County: Los Angeles

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,494,789	\$0
Recommended:	\$1,494,789	\$0

Applicant Information

Applicant:	923 Kenmore, L.P.
Contact:	Monique Hastings
Address:	9 Cushing, Suite 200 Irvine, CA 92618
Phone:	949-923-7805
Email:	mhastings@newportpartners.com

General Partner(s) or Principal Owner(s):	Community Resident Services, Inc. Domus GP LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Community Resident Services, Inc. Domus Development, LLC
Developer:	Domus Development, LLC
Investor/Consultant:	Alliant Capital
Management Agent:	Domus Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 75
 No. / % of Low Income Units: 74 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (74 units - 100%)

Bond Information

Issuer: Housing & Community Investment Department Los Angeles
 Expected Date of Issuance: January 21, 2021

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Connie Harina

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
30% AMI: 74	100%

Unit Mix

41 SRO/Studio Units
33 1-Bedroom Units
1 2-Bedroom Units
75 Total Units

Unit Type & Number	2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
41 SRO/Studio	30%	30%	\$591
33 1 Bedroom	30%	30%	\$633
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$8,405,535
Construction Costs	\$25,545,819
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,336,693
Soft Cost Contingency	\$75,579
Relocation	\$0
Architectural/Engineering	\$866,500
Const. Interest, Perm. Financing	\$2,437,368
Legal Fees	\$180,000
Reserves	\$928,310
Other Costs	\$3,340,727
Developer Fee	\$4,383,470
Commercial Costs	\$0
Total	\$47,500,000

Residential

Construction Cost Per Square Foot:	\$413
Per Unit Cost:	\$633,333
True Cash Per Unit Cost*:	\$626,846

Construction Financing

Source	Amount
Citibank - Tax Exempt	\$25,000,000
HCIDLA Prop HHH	\$13,520,000
LACDA NPLH	\$6,500,000
Deferred Developer Fee	\$1,097,500
Tax Credit Equity	\$1,382,500

Permanent Financing

Source	Amount
Citibank	\$5,575,000
HCIDLA Prop HHH	\$13,520,000
LACDA NPLH	\$12,210,000
Deferred Developer Fee	\$486,530
General Partner Equity	\$1,883,470
Tax Credit Equity	\$13,825,000
TOTAL	\$47,500,000

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$36,853,615
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$47,909,700
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,494,789
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,383,470
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$0.92488

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:	\$36,853,615
Actual Eligible Basis:	\$36,853,615
Unadjusted Threshold Basis Limit:	\$23,597,088
Total Adjusted Threshold Basis Limit:	\$79,959,687

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.

100% of the Low Income Units for Special Needs Population

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

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

Staff noted the cost per unit is approximately \$626,846. The applicant noted the cost is attributed to services offices for supportive housing and service related costs and an increase in material costs and labor.

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.