

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

September 16, 2020

Sun King Apartments, located at 9190 N. Telfair Avenue in Sun Valley, requested and is being recommended for a reservation of \$568,105 in annual federal tax credits to finance the new construction of 25 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 Many Mansions, a California Nonprofit Corporation and will be located in Senate District 18 and Assembly District 39.

Sun King Apartments 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-20-657

Project Name Sun King Apartments
Site Address: 9190 N. Telfair Avenue
Sun Valley, CA 91352 County: Los Angeles
Census Tract: 1212.22

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$568,105	\$0
Recommended:	\$568,105	\$0

Applicant Information

Applicant: Sun King LP
Contact: Rick Schroeder
Address: 1259 E. Thousand Oaks Boulevard
Thousand Oaks, CA 91362
Phone: 805-496-4948
Email: rick@manymansions.org

General Partner(s) or Principal Owner(s): Sun King LLC
General Partner Type: Nonprofit
Parent Company(ies): Many Mansions, a California Nonprofit Corporation
Developer: Many Mansions, a California Nonprofit Corporation
Management Agent: Many Mansions, a California Nonprofit Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 26
 No. / % of Low Income Units: 25 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers
 (25 Units - 100%)

Bond Information

Issuer: HCID LA
 Expected Date of Issuance: March 16, 2021

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 25	100%

Unit Mix

12 1-Bedroom Units
11 2-Bedroom Units
3 3-Bedroom Units
<u>26 Total Units</u>

<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>
12 1 Bedroom	30%	30%	\$633
10 2 Bedrooms	30%	30%	\$760
3 3 Bedrooms	30%	30%	\$878
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$750,000
Construction Costs	\$9,500,830
Construction Hard Cost Contingency	\$475,042
Soft Cost Contingency	\$130,669
Architectural/Engineering	\$470,000
Const. Interest, Perm. Financing	\$1,016,169
Legal Fees	\$120,000
Reserves	\$471,985
Other Costs	\$928,484
Developer Fee	\$1,604,272
Total	\$15,467,451

Residential

Construction Cost Per Square Foot:	\$213
Per Unit Cost:	\$594,902
True Cash Per Unit Cost*:	\$594,898

Construction Financing

Source	Amount
Tax Exempt Construction Loan	\$8,542,661
HCIDLA - HHH	\$4,865,248
Accrued Interest	\$50,083
Deferred Costs	\$1,296,161
General Partner Contribution	\$100
Tax Credit Equity	\$713,198

Permanent Financing

Source	Amount
Permanent Loan	\$2,125,000
HCD - SHMHP	\$2,443,798
HCIDLA - HHH	\$5,500,000
Accrued Interest	\$50,083
General Partner Contribution	\$100
Tax Credit Equity	\$5,348,470
TOTAL	\$15,467,451

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,487,768
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,534,098
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$568,105
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,604,272
Federal Tax Credit Factor:	\$0.94146

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:	\$13,487,768
Actual Eligible Basis:	\$13,487,768
Unadjusted Threshold Basis Limit:	\$10,113,504
Total Adjusted Threshold Basis Limit:	\$34,284,778

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

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

100% of the Low Income Units for Special Needs Population

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

The reservation of tax credits is contingent upon verification by HUD of the rental subsidy contract rent amounts within 180 days of the date of reservation.

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

Staff noted a per unit development cost of \$594,898 per unit. The applicant noted that the high per unit cost is attributed to the project's unit mix of larger bedrooms, and the increased cost of labor and materials.

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.