

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Chee Thao Yang

Applicant:	California Statewide Communities Development Authority
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Allocation Amount Requested:	Tax-exempt:	\$38,850,000
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Project Information:	Name:	Ethel Arnold Bradley Apartments
	Project Address:	7850 S. Normandie Avenue
	Project City, County, Zip Code:	Los Angeles, Los Angeles, 90044

Project Sponsor Information:	Name:	Ethel Arnold Preservation, LP (Ethel Arnold GP, LLC; Affordable Housing Solutions)
	Principals:	Kevin Wiser, Robin Salomon, Drew Orenstein & Franklin Hess for Ether Arnold GP, LLC; Robert Cherry for Affordable Housing Solutions
	Property Management Company:	EMP III, Inc. dba Alpha Property Management

Project Financing Information:	Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
	Private Placement Purchaser:	Jones Lang LaSalle Multifamily, LLC
	Cash Flow Permanent Bond:	Not Applicable
	Public Sale:	Not Applicable
	Underwriter:	Not Applicable
	Credit Enhancement Provider:	Not Applicable
	Rating:	Not Applicable
	TEFRA Noticing Date:	February 6, 2019
	TEFRA Adoption Date:	February 26, 2019

Description of Proposed Project:	State Ceiling Pool:	General
	Total Number of Units:	81
	Manager's Units:	1 Unrestricted
	Type:	Acquisition and Rehabilitation
	Population Served:	Family

Ethel Arnold Bradley Apartments is an existing project located in Los Angeles on a 4.1-acre site. The project consists of 80 restricted rental units and 1 restricted manager unit. The project has 66 two-bedroom units and 15 three-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of window replacements, repair of roof, balconies and patios and playground work. Interior renovations will include a new community room. Individual apartment units will be updated with new unit floors, a new appliance package, interior and exterior doors, bathroom fixtures and showers, kitchen counters and cabinets, new boilers and HVAC. Lastly, common or site area renovations will consist of asphalt and sidewalk replacements. The rehabilitation is expected to begin in November 2019 and be completed in June 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
66% (53 units) restricted to 50% or less of area median income households.
34% (27 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	56,427,435	
Estimated Hard Costs per Unit:	\$	91,999	(\$7,451,885 /81 units including mgr. unit)
Estimated per Unit Cost:	\$	696,635	(\$56,427,435 /81 units including mgr. unit)
Allocation per Unit:	\$	479,630	(\$38,850,000 /81 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$	485,625	(\$38,850,000 /80 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 29,586,500	\$ 29,586,500
Tranche B Financing	\$ 9,263,500	\$ 0
LIH Tax Credit Equity	\$ 3,682,290	\$ 17,300,248
Seller Note	\$ 4,925,000	\$ 4,925,000
Ethel Arnold Developer, LLC	\$ 0	\$ 4,393,447
R4 Capital (Solar)	\$ 0	\$ 222,240
Total Sources	\$ 47,457,290	\$ 56,427,435

Uses of Funds:	
Land Cost/Acquisition	\$ 35,100,000
Rehabilitation	\$ 8,152,243
Relocation	\$ 253,000
Contractor Overhead & Profit	\$ 596,151
Architectural Fees	\$ 123,000
Survey and Engineering	\$ 15,000
Construction Interest and Fees	\$ 2,809,693
Permanent Financing	\$ 141,065
Legal Fees	\$ 140,000
Reserves	\$ 683,000
Appraisal	\$ 13,000
Hard Cost Contingency	\$ 849,515
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 658,321
Developer Costs	\$ 6,893,447
Total Uses	\$ 56,427,435

Analyst Comments:

This project is considered a high cost per unit project. The Project's LA location is driving up the acquisition cost, a large-scale rehabilitation of over \$90,000 per unit and the requirement to pay Davis Bacon wages also drove costs.

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

55 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$38,850,000 in tax-exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	0
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	55