CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

Robert Farrell & Western Gardens Apartments, located at 1818 W. 71st Street and 1742 W. 84th Place in Los Angeles, requested and is being recommended for a reservation of $1,642,417 in annual federal tax credits to finance the acquisition and rehabilitation of 70 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by 21 Alpha Group and is located in Senate District 30 and Assembly District 59.

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

Project Number CA-19-474

Project Name Robert Farrell & Western Gardens Apartments
Site Address: 1818 W. 71st Street & 1742 W. 84th Place
Los Angeles, CA 90047 County: Los Angeles
Census Tract: 2373.00 and 2381.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,642,417	$0
Recommended:	$1,642,417	$0

Applicant Information

Applicant:	Robert Western Preservation, L.P.
Contact:	Franklin Hess
Address:	145 West Magnolia Blvd Burbank, CA 95102
Phone:	323-231-4174
Email:	fhess@21alphagroup.com

General Partner(s) or Principal Owner(s):	Affordable Housing Solutions Robert Western GP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Affordable Housing Solutions 21 Alpha Group
Developer:	21 Alpha Group
Investor/Consultant:	R4 Capital
Management Agent:	Alpha Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	70
No. / % of Low Income Units:	70 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (70 units - 100%)

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	November 15, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	53	76%
60% AMI:	17	24%

Unit Mix

58	2-Bedroom Units
12	3-Bedroom Units
70	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16	2 Bedrooms	50%	50%	$1,091
7	2 Bedrooms	50%	50%	$1,091
2	2 Bedrooms	50%	50%	$1,091
3	2 Bedrooms	50%	50%	$1,091
4	3 Bedrooms	60%	60%	$1,512
2	3 Bedrooms	60%	60%	$1,512
16	2 Bedrooms	50%	50%	$1,091
7	2 Bedrooms	50%	50%	$1,091
2	2 Bedrooms*	50%	50%	$1,091
4	2 Bedrooms	60%	60%	$1,309
4	3 Bedrooms	60%	60%	$1,512
2	3 Bedrooms	60%	60%	$1,512
1	2 Bedrooms	60%	60%	$1,309

Two of the affordable two-bedroom units will be occupied by tax-credit qualified property managers. See the **Significant Information / Additional Conditions section of the staff report.

Project Cost Summary at Application	
Land and Acquisition	$33,100,000
Construction Costs	$0
Rehabilitation Costs	$8,557,597
Construction Hard Cost Contingency	$828,132
Soft Cost Contingency	$200,000
Relocation	$212,000
Architectural/Engineering	$135,750
Const. Interest, Perm. Financing	$2,495,080
Legal Fees	$140,000
Reserves	$585,748
Other Costs	$319,898
Developer Fee	$6,158,588
Commercial Costs	$0
Total	**$52,732,793**

Residential	
Construction Cost Per Square Foot:	$120
Per Unit Cost:	$753,326
True Cash Per Unit Cost*:	$507,433

Construction Financing

Source	Amount
Jones Lang LaSalle - T.E. Bonds	$18,870,000
Pacific Western Bank - T.E. Bonds	$10,850,000
Seller Carryback Loan	$13,100,000
Tax Credit Equity	$3,642,333

Permanent Financing

Source	Amount
Jones Lang LaSalle - T.E. Bonds	$18,870,000
Seller Carryback Loan	$13,100,000
Deferred Developer Fee	$4,112,515
Solar Tax Credit Equity	$390,347
Tax Credit Equity	$16,259,931
TOTAL	**$52,732,793**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$12,701,420
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$37,073,778
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,701,420
Qualified Basis (Acquisition):	$37,073,778
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$418,982
Maximum Annual Federal Credit, Acquisition:	$1,223,435
Total Maximum Annual Federal Credit:	$1,642,417
Approved Developer Fee in Project Cost:	$6,158,588
Approved Developer Fee in Eligible Basis:	$5,850,659
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$0.99000

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:	$49,775,198
Actual Eligible Basis:	$49,775,198
Unadjusted Threshold Basis Limit:	$25,294,528
Total Adjusted Threshold Basis Limit:	$49,324,330

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 75%

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 3.30% 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 contract renewal amounts within 90 days of the date of reservation.

This project involves the rehabilitation of 2 scattered-sites located in the City of Los Angeles. Each site will include one 2-bedroom affordable unit occupied by a tax-credit qualified property manager.

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.