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

Ethel Arnold Apartments, located at 7850 S. Normandie Avenue in Los Angeles, requested and is being recommended for a reservation of $1,747,500 in annual federal tax credits to finance the acquisition and rehabilitation of 80 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 a HUD Section 8 Project-based Contract.

Project Number CA-19-475

Project Name Ethel Arnold Apartments
Site Address: 7850 S. Normandie Avenue
Los Angeles, CA 90044 County: Los Angeles
Census Tract: 2378.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,747,500	$0
Recommended:	$1,747,500	$0

Applicant Information

Applicant:	Ethel Arnold 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 Ethel Arnold 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:	11
Total # of Units:	81
No. / % of Low Income Units:	80 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (80 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	66%
60% AMI:	27	34%

Unit Mix

66	2-Bedroom Units
15	3-Bedroom Units
81	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
53	2 Bedrooms	50%	46%	$1,091
13	2 Bedrooms	60%	56%	$1,309
14	3 Bedrooms	60%	56%	$1,512
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$35,100,000
Construction Costs	$0
Rehabilitation Costs	$8,748,394
Construction Hard Cost Contingency	$849,515
Soft Cost Contingency	$372,966
Relocation	$253,000
Architectural/Engineering	$138,000
Const. Interest, Perm. Financing	$2,950,758
Legal Fees	$140,000
Reserves	$683,000
Other Costs	$298,355
Developer Fee	$6,893,447
Commercial Costs	$0
Total	**$56,427,435**

Residential

Construction Cost Per Square Foot:	$117
Per Unit Cost:	$696,635
True Cash Per Unit Cost*:	$581,592

Construction Financing

Source	Amount
Jones Lang LaSalle - T.E. Bonds	$29,586,500
California Bank & Trust - T.E. Bonds	$9,263,500
Seller Carryback Loan	$4,925,000
Tax Credit Equity	$3,682,290

Permanent Financing

Source	Amount
Jones Lang LaSalle - T.E. Bonds	$29,586,500
Seller Carryback Loan	$4,925,000
Deferred Developer Fee	$4,393,447
Solar Tax Credit Equity	$222,240
Tax Credit Equity	$17,300,248
TOTAL	**$56,427,435**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$13,223,547
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$39,736,288
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,223,547
Qualified Basis (Acquisition):	$39,736,288
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$436,377
Maximum Annual Federal Credit, Acquisition:	$1,311,123
Total Maximum Annual Federal Credit:	$1,747,500
Approved Developer Fee in Project Cost:	$6,893,447
Approved Developer Fee in Eligible Basis:	$6,614,139
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:	$52,959,835
Actual Eligible Basis:	$52,959,835
Unadjusted Threshold Basis Limit:	$29,376,960
Total Adjusted Threshold Basis Limit:	$54,641,146

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: 66%

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.

The project is anticipated to be a 100% tax-credit project, but it currently has 1 over-income tenant that does not qualify as a tax-credit tenant. At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly.

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.

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.