CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 8, 2008

Project Number CA-2008-924

Project Name MacArthur Park Metro Apartments Phase A
Address: 1901 W. 7th Street
Los Angeles, CA 90057 County: Los Angeles

Applicant Information
Applicant: MPM Apartments, L.P.
Contact Daniel Falcon, Jr.
Address: 801 S. Grand Avenue, Suite 780
Los Angeles, CA 90057
Phone: (213) 236-2680 Fax: (213) 236-0707
Sponsors Type: Joint Venture

Information
Housing Type: Large Family

Bond Information
Issuer: Los Angeles Housing Department
Expected Date of Issuance: December, 2008
Credit Enhancement: No

Eligible Basis
Actual: $28,017,600
Requested: $28,017,600
Maximum Permitted: $44,929,112

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
Local Development Impact Fees
55-Year Use/Affordability Restriction – 1% for each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 17%
55-Year Use/Affordability Restriction – 2% for each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 33%

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,274,801	$0
Recommended:	$1,274,801	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 90
Total # Residential Buildings: 1

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 89 units

55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 45
Number of Units @ or below 60% of area median income: 44

Unit Type & Number		**2008 Rents % of Area Median Income**	**Proposed Rent** (including utilities)
5	Two-Bedroom	20%	$341
7	Two-Bedroom	30%	$511
7	Two-Bedroom	35%	$596
12	Two-Bedroom	50%	$852
31	Two-Bedroom	60%	$1,023
3	Three-Bedroom	20%	$394
4	Three-Bedroom	30%	$591
4	Three-Bedroom	35%	$689
3	Three-Bedroom	50%	$985
13	Three-Bedroom	60%	$1,182
1	Two-Bedroom	Manager's Unit	$0

The general partner(s) or principal owner(s) are MBA Urban Development, Co. and the Los Angeles Housing Partnership.

The project developer is McCormack Baron Salazar.

The management services will be provided by McCormack Baron Ragan.

The market analysis was provided by Market Insights, Inc.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Project Financing
Estimated Total Project Cost: $42,012,390 Per Unit Cost: $355,878 Construction Cost Per Sq. Foot: $219

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America – Tax Exempt Bonds	$20,000,000	Bank of America	$1,569,000
Los Angeles Housing Department	$7,504,245	HCD Transit Oriented Development	$8,568,755
City of Industry	$1,459,000	Los Angeles Housing Department	$7,504,245
City of Los Angeles CRA	$1,400,000	City of Industry	$1,459,000
Hudson Capital LIHTC Equity	$1,655,755	City of Los Angeles CRA	$1,400,000
Bank of America (Retail)	$2,771,000	AHP	$265,000
LA Metropolitan Transit Agency	$4,000,000	Bank of America (Retail)	$2,771,000
MBS* Urban Devel. CDE (NMTC)	$2,920,320	LA County Metro Transit Agency	$4,000,000
Deferred Developer Fee (Retail)	$292,070	MBS* Urban Development CDE	$2,920,320
		Deferred Developer Fee (Retail)	$292,070
		Investor Equity	$11,263,000
		TOTAL	**$42,012,390**

* = McCormack Baron Salazar

Determination of Credit Amount(s)

Requested Eligible Basis:	$28,017,600
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$36,422,880
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$1,274,801
Approved Developer Fee in Project Cost	$2,850,000
Approved Developer Fee in Eligible Basis:	$1,400,000
Tax Credit Factor: Hudson Housing Capital	$.8835

Applicant requests and staff recommends annual federal credits of $1,274,801 based on a qualified basis of $36,422,880 and a funding shortfall of $11,263,000.

Cost Analysis and Line Item Review

The requested eligible basis $28,017,600 is below TCAC's adjusted threshold basis limit $44,929,112. The basis limit includes the adjustment for the following extraordinary features: requirement to pay state or federal prevailing wages, requirement to provide parking beneath the residential units, required to pay local development impact fees, 55-year use/affordability restriction for projects where 1% for each 1% of low-income units are income targeted between 50% AMI & 36% AMI, 55-year use/affordability restriction for projects where 2% for each 1% of low-income units are income targeted at 35% AMI & below, and for the use of 3 or more energy efficiency/resource conservation/indoor air quality items. Items include Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, CRI Green Label Plus Carpet or no carpet in all bedrooms, and vent kitchen range hoods to the exterior of the building in at least 80% of the units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

Annual operating expenses 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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
$1,274,801	$0

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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

Additional Conditions: The applicant/owner is required to provide the tenants with high-speed internet service and an after school program for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: David Navarrette