

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 16, 2015**

127th Street Apartments, located at 536-548 127th Street in Los Angeles, requested and is being recommended for a reservation of \$827,405 in annual federal tax credits to finance the new construction of 84 units of housing serving special needs tenants with rents affordable to households earning 35% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and MHSA Rental Assistance. The project financing includes state funding from the MHP, IIG and AHSC programs of HCD and MHSA through CalHFA.

**Project Number** CA-15-950

**Project Name** 127th Street Apartments  
**Site Address:** 536-548 127th Street  
 Los Angeles, CA 90044 County: Los Angeles  
**Census Tract:** 2911.100

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$827,405	\$0
Recommended:	\$827,405	\$0

**Applicant Information**

**Applicant:** 127th Street Apartments, L.P.  
**Contact:** Aaron Mandel  
**Address:** 1640 S. Sepulveda Blvd, Suite 425  
 Los Angeles, CA 90025  
**Phone:** (310) 575-3543 **Fax:** (310) 575-3563  
**Email:** amandel@metahousing.com

**General Partner(s) or Principal Owner(s):** 127th Street Apartments, LLC  
 WCH Affordable XIV, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Meta Housing Corporation  
 Western Community Housing, Inc.

**Developer:** Meta Housing Corporation

**Investor/Consultant:** Hamilton Investments, LLC

**Management Agent:** The John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 85  
 No. & % of Tax Credit Units: 84 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (40 units - 47%)  
 HCD MHP Funding: Yes  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 84

**Bond Information**

Issuer: Los Angeles Housing Community and Investment Department  
 Expected Date of Issuance: March 16, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Special Needs  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

42 SRO/Studio Units  
 42 1-Bedroom Units  
 1 2-Bedroom Units  


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 85 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	25%	25%	\$363
37 SRO/Studio	30%	30%	\$436
2 SRO/Studio	35%	35%	\$508
2 1 Bedroom	25%	25%	\$389
37 1 Bedroom	30%	30%	\$467
3 1 Bedroom	35%	35%	\$545
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,866

**Project Cost Summary at Application**

Land and Acquisition	\$2,859,250
Construction Costs	\$13,175,745
Rehabilitation Costs	\$0
Construction Contingency	\$671,287
Relocation	\$0
Architectural/Engineering	\$1,275,000
Construction Interest, Perm Financing	\$1,588,373
Legal Fees, Appraisals	\$268,500
Reserves	\$827,024
Other Costs	\$1,602,608
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$24,767,787</b>

**Project Financing**

Estimated Total Project Cost:	\$24,767,787
Estimated Residential Project Cost:	\$24,767,787

**Residential**

Construction Cost Per Square Foot:	\$225
Per Unit Cost:	\$291,386

**Construction Financing**

Source	Amount
Chase	\$18,500,000
MHSA	\$1,800,000
HCD - IIG	\$1,300,000
Deferred Developer Fee	\$1,827,391
Tax Credit Equity	\$1,340,396

**Permanent Financing**

Source	Amount
CCRC	\$3,163,890
HCIDLA	\$4,450,000
MHSA	\$1,800,000
HCD - MHP	\$2,500,000
HCD - IIG	\$1,300,000
HCD - AHSC	\$1,500,000
Deferred Developer Fee	\$1,117,923
Tax Credit Equity	\$8,935,974
<b>TOTAL</b>	<b>\$24,767,787</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$19,827,576
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,775,849
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$827,405
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Hamilton Investments, LLC
Federal Tax Credit Factor:	\$1.08000

Per Regulation Section 10322(h)(9)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$19,827,576
Actual Eligible Basis:	\$19,827,576
Unadjusted Threshold Basis Limit:	\$18,537,276
Total Adjusted Threshold Basis Limit:	\$62,041,265

**Adjustments to Basis Limit**

- Required to Pay Prevailing Wages
- 100% of Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income 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 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.

**Special Issues/Other Significant Information:** None.

**Local Reviewing Agency**

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.

**Recommendation**

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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$827,405</b>	<b>\$0</b>

**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.

**Additional Conditions:** None.