

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 14, 2020**

Sepulveda Apartments, located at 8811-8861 Sepulveda Boulevard, 15430 and 15408 Rayen Street and 8832-8840 Langdon Avenue in Los Angeles, requested and is being recommended for a reservation of \$4,967,918 in annual federal tax credits to finance the new construction of 352 units of housing serving large families with rents affordable to households earning 30-70% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 18 and Assembly District 46.

The project financing includes state funding from the CalHFA MIP program.

Project Number CA-20-902

Project Name Sepulveda Apartments

Site Addresses: 8811-8861 Sepulveda Boulevard, 15430 and 15408 Rayen Street,
8832-8840 Langdon Avenue
Los Angeles, CA 91343 County: Los Angeles

Census Tract: 1174.07

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,967,918	\$0
Recommended:	\$4,967,918	\$0

Applicant Information

Applicant: 8811 Sepulveda, L.P.
Contact: Aaron Mandel
Address: 11150 West Olympic Blvd, Suite 620
Los Angeles, CA 90064
Phone: 310-575-3543
Email: amandel@metahousing.com

General Partner(s) or Principal Owner(s): 8811 Sepulveda, LLC
FFAH V Sepulveda Apartments, LLC

General Partner Type: Joint Venture
Parent Company(ies): Meta Housing Corporation
Foundation for Affordable Housing V, Inc.

Developer: Meta Housing Corporation
Investor/Consultant: JMH LP Investments, LLC
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 356
 No. / % of Low Income Units: 352 100.00%
 Federal Set-Aside Elected: 40%/60% Income Average
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: June 8, 2020

Information

Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 41	12%
60% AMI: 188	53%
70% AMI: 123	35%

Unit Mix

28 SRO/Studio Units
8 1-Bedroom Units
126 2-Bedroom Units
182 3-Bedroom Units
12 4-Bedroom Units
<u>356 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	30%	30%	\$548
25 SRO/Studio	60%	60%	\$1,096
1 1 Bedroom	30%	30%	\$587
7 1 Bedroom	60%	60%	\$1,175
14 2 Bedrooms	30%	30%	\$705
108 2 Bedrooms	60%	60%	\$1,410
21 3 Bedrooms	30%	30%	\$814
38 3 Bedrooms	60%	60%	\$1,629
123 3 Bedrooms	70%	70%	\$1,900
2 4 Bedrooms	30%	30%	\$909
10 4 Bedrooms	60%	60%	\$1,818
4 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$14,060,000
Construction Costs	\$83,515,373
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$4,178,769
Soft Cost Contingency	\$1,000,000
Relocation	\$0
Architectural/Engineering	\$3,313,295
Const. Interest, Perm. Financing	\$8,064,420
Legal Fees	\$295,000
Reserves	\$1,356,798
Other Costs	\$6,889,506
Developer Fee	\$15,300,000
Commercial Costs	\$0
Total	\$137,973,161

Residential

Construction Cost Per Square Foot:	\$181
Per Unit Cost:	\$387,565
True Cash Per Unit Cost*:	\$357,000

Construction Financing**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Pacific Western Bank	\$90,000,000	Pacific Western Bank	\$64,384,037
Pacific Western Bank Taxable Loan	\$15,000,000	CalHFA MIP	\$15,500,000
Deferred Operating Reserve	\$1,356,798	Lease-up Income	\$2,000,000
Deferred Developer Fee and Costs	\$11,272,738	Deferred Developer Fee	\$10,881,067
Tax Credit Equity	\$20,343,625	Tax Credit Equity	\$45,208,056
		TOTAL	\$137,973,161

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$117,946,777
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$153,330,810
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$4,967,918
Approved Developer Fee (in Project Cost & Eligible Basis):	\$15,300,000
Investor/Consultant:	JMH LP Investments, LLC
Federal Tax Credit Factor:	\$0.91000

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:	\$117,946,777
Actual Eligible Basis:	\$117,946,777
Unadjusted Threshold Basis Limit:	\$164,357,088
Total Adjusted Threshold Basis Limit:	\$228,456,352

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels.
- 95% of Upper Floor Units are Elevator-Serviced.
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 22%

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 3.24% 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 project consists of multiple adjacent parcels facing Sepulveda Boulevard, Rayen Street and Langdon Avenue.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.