

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 20, 2011**

Project Number CA-2011-833

Project Name Samoa Avenue Apartments
Site Address: 10046-56 Samoa Avenue
Tujunga, CA 91042 County: Los Angeles
Census Tract: 1012.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$632,506	\$0
Recommended:	\$632,506	\$0

Applicant Information

Applicant: Housing Alternatives, Inc. a non-profit public benefit corporation
Contact: Elva Grant
Address: 1008 Second Street, 2nd Floor
Sacramento, CA 95814
Phone: (916) 254-5901 Fax: (916) 254-5941
Email: Elva@housing-alternative.org

General partner(s) or principal owner(s): Housing Alternatives, Inc.
Milare Housing Investments, Inc.
General Partner Type: Joint Venture
Developer: Samoa Avenue Housing, LP
Investor/Consultant: RBC Tax Credit Equity, LLC
Management Agent: Jordan Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 64
No. & % of Tax Credit Units: 63 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 8
Number of Units @ or below 60% of area median income: 55

Bond Information

Issuer: Los Angeles Housing Department
 Expected Date of Issuance: 07/20/11
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Nicola Hil

Unit Mix

2 1-Bedroom Units
 4 2-Bedroom Units
 32 3-Bedroom Units
 26 4-Bedroom Units

 64 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	50%	50%	\$776
1 2 Bedrooms	50%	50%	\$932
3 2 Bedrooms	60%	60%	\$1,118
3 3 Bedrooms	50%	50%	\$1,076
29 3 Bedrooms	60%	60%	\$1,291
3 4 Bedrooms	50%	50%	\$1,201
23 4 Bedrooms	60%	60%	\$1,441
1 1 Bedroom	Manager's Unit	Manager's Unit	\$932

Project Financing

Estimated Total Project Cost: \$17,570,184 Construction Cost Per Square Foot: \$116
 Per Unit Cost: \$274,534

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$10,500,000	Citibank	\$8,800,000
AHP	\$650,000	AHP	\$650,000
Deferred Developer Fee	\$1,866,721	Solar/Energy Incentives	\$450,000
Tax Credit Equity	\$4,406,995	Deferred Developer Fee	\$1,661,377
		Tax Credit Equity	\$6,008,807
		TOTAL	\$17,570,184

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,311,525
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$18,604,983
Applicable Rate:	3.40%
Maximum Annual Federal Credit:	\$632,506
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,866,720
Investor/Consultant:	RBC Tax Credit Equity, LLC
Federal Tax Credit Factor:	\$0.95000

Per Regulation Section 10322(i)(4)(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:	\$14,311,525
Actual Eligible Basis:	\$14,311,525
Unadjusted Threshold Basis Limit:	\$19,617,864
Total Adjusted Threshold Basis Limit:	\$24,326,151

Adjustments to Basis Limit:

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- 95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 12%

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 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 3.40% 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:

Federal Tax Credits/Annual
\$632,506

State Tax Credits/Total
\$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 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 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 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: The applicant/owner is required to provide the tenants with high-speed internet free of charge 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: (B) Exceed Title 24 Standards