

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-836

Project Name Samoa Avenue Apartments
 Site Address: 10046-10056 Samoa Avenue
 Tujunga, CA 91042 County: Los Angeles
 Census Tract: 1012.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$515,189	\$0
Recommended:	\$515,189	\$0

Applicant Information

Applicant: Milare Housing Investments, Inc.
 Contact: Ali Milani
 Address: 313 E Broadway #10777
 Glendale, CA 91209
 Phone: 818-550-1990 Fax: N/A
 Email: ali.milani@milarehousing.com

General Partner(s) or Principal Owner(s): Deep Green Housing and Community Development
 Milare Housing Investments, Inc.
 General Partner Type: Joint Venture
 Parent Company(ies): Deep Green Housing and Community Development
 Milare Housing Investments, Inc.
 Developer: Milare Housing Investments, Inc.
 Investor/Consultant: Allian Capital
 Management Agent: Deep Green Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 48
 No. & % of Tax Credit Units: 47 100.00%
 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: 5
 Number of Units @ or below 60% of area median income: 42

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: August 6, 2015
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

3 2-Bedroom Units
 27 3-Bedroom Units
18 4-Bedroom Units
 48 Total Units

<u>Unit Type & 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>
1 2 Bedrooms	50%	49%	\$917
1 2 Bedrooms	60%	59%	\$1,101
2 3 Bedrooms	50%	49%	\$1,060
25 3 Bedrooms	60%	59%	\$1,272
2 4 Bedrooms	50%	49%	\$1,182
16 4 Bedrooms	60%	59%	\$1,419
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,101

Project Cost Summary at Application

Land and Acquisition	\$3,000,000
Construction Costs	\$8,227,000
Rehabilitation Costs	\$0
Construction Contingency	\$412,000
Relocation	\$0
Architectural/Engineering	\$429,000
Construction Interest, Perm Financing	\$896,000
Legal Fees, Appraisals	\$130,000
Reserves	\$244,000
Other Costs	\$1,032,000
Developer Fee	\$1,608,450
Commercial Costs	\$0
Total	\$15,978,450

Project Financing

Estimated Total Project Cost:	\$15,978,450
Estimated Residential Project Cost:	\$15,978,450

Residential

Construction Cost Per Square Foot:	\$119
Per Unit Cost:	\$332,884

Construction Financing

Source	Amount
Citibank - Tax Exempt Bonds	\$10,000,000
Seller Note	\$1,000,000
PV System Subcontractor Note	\$760,000
Deferred Costs	\$1,678,450
Tax Credit Equity	\$2,540,000

Permanent Financing

Source	Amount
Citibank	\$7,540,000
Seller Note	\$1,000,000
PV System Subcontractor Note	\$760,000
Deferred Developer Fee	\$1,268,450
Tax Credit Equity	\$5,410,000
TOTAL	\$15,978,450

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,331,450
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,030,885
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$515,189
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,608,450
Investor/Consultant:	Allian Capital
Federal Tax Credit Factor:	\$1.05010

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:	\$12,331,450
Actual Eligible Basis:	\$12,331,450
Unadjusted Threshold Basis Limit:	\$16,641,606
Total Adjusted Threshold Basis Limit:	\$21,627,302

Adjustments to Basis Limit:

Parking Beneath Residential Units

Local Development Impact Fees

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: 10%

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 3.30% 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$515,189	\$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 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.