

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2011

Project Number CA-2011-834

Project Name High Place West
Site Address: 2345 Virginia Avenue
Santa Monica, CA 90404 County: Los Angeles
Census Tract: 7018.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$818,946	\$0
Recommended:	\$818,946	\$0

Applicant Information

Applicant: Community Corporation of Santa Monica
Contact: Shylesh Viswanathan
Address: 1423 Second Street, Suite B
Santa Monica, CA 90401
Phone: 310-394-8487 Fax: 310-975-6605
Email: shylesh@communitycorp.org

General partner(s) or principal owner(s): Community Corporation of Santa Monica
General Partner Type: Nonprofit
Developer: Community Corporation of Santa Monica
Investor/Consultant: Enterprise Community Investment, Inc.
Management Agent: Community Corporation of Santa Monica

Project Information

Construction Type: New Construction
Total # Residential Buildings: 6
Total # of Units: 47
No. & % of Tax Credit Units: 46 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / CDBG
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 22
Number of Units @ or below 60% of area median income: 24

Bond Information

Issuer: CSCDA
Expected Date of Issuance: 08/01/11
Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Velia M. Greenwood

Unit Mix

32 2-Bedroom Units
 15 3-Bedroom Units

 47 Total Units

Unit Type & Number	2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15 2 Bedrooms	35%	35%	\$652
16 2 Bedrooms	60%	60%	\$1,119
7 3 Bedrooms	35%	35%	\$753
8 3 Bedrooms	60%	60%	\$1,292
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,066

Project Financing

Estimated Total Project Cost: \$24,606,439
 Estimated Residential Project Cost: \$24,606,439

Residential

Construction Cost Per Square Foot: \$185
 Per Unit Cost: \$523,541

Construction Financing

Permanent Financing

Source	Amount	Source	Amount
Citi Community Capital	\$12,000,000	CA Community Reinvestment Corp.	\$1,138,438
City of Santa Monica	\$11,019,970	HCD - MHP	\$3,667,537
Tax Credit Equity	\$777,998	City of Santa Monica	\$12,020,481
		Tax Credit Equity	\$7,779,983
		TOTAL	\$24,606,439

Determination of Credit Amount(s)

Requested Eligible Basis: \$18,778,291
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$24,411,778
 Applicable Rate: 3.40%
 Total Maximum Annual Federal Credit: \$818,946
 Approved Developer Fee (in Project Cost & Eligible Basis): \$701,475
 Investor/Consultant: Enterprise Community Investment, Inc.
 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:	\$18,778,291
Actual Eligible Basis:	\$18,778,291
Unadjusted Threshold Basis Limit:	\$12,001,280
Total Adjusted Threshold Basis Limit:	\$27,722,957

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 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: 94%

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 3.40% 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: Development costs are roughly \$523,541 per unit. The high cost was due to the City of Santa Monica's specific requirements for new construction that include: Stringent design requirements, which requires the site to be broken up into seven separate buildings due to zoning; green standards that require exceeding Title 24 standards by 15%, as well as use several recycled products, and provide urban runoff mitigation for the site. Project must provide full subterranean parking and 1.7 parking spaces per low-income unit. Furthermore, the site is located adjacent to a freeway, which requires higher sound insulation. The project's design includes vacating a street that runs through the center of the development and building a new access road. The requirement to pay state prevailing wages are also contributed to the higher development cost.

Local Reviewing Agency:

The Local Reviewing Agency, City of Santa Monica, has completed a site review of this project and strongly supports this project.

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
\$818,946	\$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: None.