CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2011

Project Number	CA-2011-898

Project Name	Monarch Santa Monica & La Brea	
Site Address:	1122 N. Detroit Street, 7113 through 7119 Santa Monica Blvd., and 1111 N. La Brea Avenue	
	West Hollywood, CA 90046	County: Los Angeles
Census Tract:	7001.000	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$476,352	$0
Recommended:	$476,352	$0

Applicant Information

Applicant:	Essex Monarch Santa Monica Apartments, L.P.		
Contact:	Rodney F. Stone		
Address:	7727 Herschel Avenue La Jolla, CA 92037		
Phone:	(858) 551-4390	Fax:	(858) 551-4388
Email:	rodstone@monarchgroup.com		

General partner(s) or principal owner(s):	EssexMonarch GP II, LLC AOF/Pacific Affordable Housing Corporation
General Partner Type:	Joint Venture
Developer:	EssexMonarch GP II, LLC
Investor/Consultant:	Alliant Capital, Ltd.
Management Agent:	Western National Property Management

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	37
No. & % of Tax Credit Units:	37 100%
Federal Set-Aside Elected:	20%/50%
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 37

Bond Information

Issuer:	California Statewide Communities Development Authority
Date of Issuance:	September 2011
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	Los Angeles County
TCAC Project Analyst:	Velia M. Greenwood

Unit Mix

9 SRO/Studio Units
20 1-Bedroom Units
8 2-Bedroom Units
37 Total Units

Unit Type & Number		2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9	SRO/Studio	50%	44%	$658
20	1 Bedroom	50%	48%	$754
8	2 Bedrooms	50%	50%	$961

Project Financing

Estimated Total Project Cost:	$14,974,860
Estimated Residential Project Cost:	$14,974,860

Residential	
Construction Cost Per Square Foot:	$154
Per Unit Cost:	$404,726

Construction Financing

Source	Amount
Citibank, N.A.	$10,000,000
Essex Monarch II, L.P.	$4,974,860

Permanent Financing

Source	Amount
Citibank, N.A.	$1,210,000
Essex Monarch II, L.P.	$9,715,868
Tax Credit Equity	$4,048,992
TOTAL	**$14,974,860**

Determination of Credit Amount(s)

Requested Eligible Basis:	$10,777,198
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$14,010,357
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	$476,352
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,405,721
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	$0.85000

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:	$10,777,198
Actual Eligible Basis:	$10,777,198
Unadjusted Threshold Basis Limit:	$7,278,366
Total Adjusted Threshold Basis Limit:	$15,794,055

Adjustments to Basis Limit:
Parking Beneath Residential Units
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: 100%

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: This 37-unit tax credit project consists of the air-space subdivided tax credit units located in a mixed income building/project. As subdivided, these 37 units form a 100% affordable project for purposes of tax credit program. The larger project includes a total of 184 residential units consisting of the 37 tax credit units (20% of the total units) under this reservation of tax credits, 145 market-rate units, 2 manager units, and 3 retail spaces with 13,350 square feet on the first floor. Parking is provided free of charge to the tax credit units/tenants with each studio unit and 1-bedroom unit provided 1 parking space and each 2-bedroom unit provided 2 parking spaces.

As currently proposed, the 37 tax credit units will consist of the following units: 202, 203, 205, 206, 207, 209, 211, 213, 214, 215, 217, 219, 221, 223, 228, 235, 237, 238, 239, 307, 311, 314, 315, 317, 319, 323, 325, 326, 328, 329, 331, 333, 335, 336, 339, 415, and 417.

The applicant anticipates that the water service will be sub-metered and that the tenants will be billed separately for their water usage by a 3rd party company. Accordingly, the units' utility allowances include a component for water. The applicant is aware that sub-metering the water service and direct billing of the tenants by a 3rd party company must follow certain IRS rules in order to be in compliance. In conjunction with the IRS rules, prior to the issuance of the IRS 8609 forms, TCAC will need to confirm that the water service and tenant billing have been implemented correctly. In addition, the TCAC Compliance Section will require specific information regarding the master water bill and each tenant's water usage and water bill when they inspect the project.

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
$476,352	**$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 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:
1) The project is a New Construction or Adaptive Reuse Project exceeding Title 24 Energy Standards by at least 10%; 2) Water- saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less); 3) At least one High Efficiency Toilet (1.3 gallons per flush) or dual fiush toilets per unit; 4) Material for all cabinets, countertops and shelving that is free of added formaldehyde or fully sealed on all six (6) sides by laminates and/or a low-VOC primer or sealant (150 grams per liter or less); 5) Interior paint with no volatile organic compounds. (5 grams per liter or less); 6) Formaldehyde-free insulafion; 7) At least one of the following recycled materials at the designated levels: a) cast-in-place concrete (20% flyash); b) carpet (25%); c) road base, fill or landscape amendments (30%); 8) Design the elements to retain, infiltrate and/or treat on-site the first one-half (1/2) inch of rainfall in a 24-hour period; 9) Inclusion of a construction indoor air quality management plan that requires the following: a) protecfion of construction materials from water damage during construction; b) capping of ducts during construction; c) cleaning of ducts upon completion of construcfion; and d) for rehabilitation Projects, implementation of a dust control plan that prevents particulates from migrating into occupied areas.