

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**July 11, 2012**

**Project Number** CA-12-834

**Project Name** High Place East  
Site Address: Northeast Corner of Virginia Avenue and High Place  
Santa Monica, CA 90404 County: Los Angeles  
Census Tract: 7018.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$798,500	\$0
Recommended:	\$798,500	\$0

**Applicant Information**

Applicant: Community Corporation of Santa Monica  
Contact: Maegan Pearson  
Address: 1423 Second Street, Suite B  
Santa Monica, CA 90401  
Phone: 310-394-8487 Fax: 310-975-6605  
Email: maegan@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: 44  
No. & % of Tax Credit Units: 43 100%  
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: 5  
Number of Units @ or below 60% of area median income: 38

**Bond Information**

Issuer: CSCDA  
Expected Date of Issuance: September 1, 2012  
Credit Enhancement: N/A

**Information**

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

**Unit Mix**

44 3-Bedroom Units  
44 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 3 Bedrooms	50%	50%	\$1,096
38 3 Bedrooms	60%	60%	\$1,315
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,250

**Project Financing**

Estimated Total Project Cost: \$23,567,838  
 Estimated Residential Project Cost: \$23,567,838

**Residential**

Construction Cost Per Square Foot: \$151  
 Per Unit Cost: \$535,633

**Construction Financing**

**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America	\$12,000,000	Bank of America	\$2,566,813
City of Santa Monica	\$10,046,765	City of Santa Monica	\$13,016,025
Tax Credit Equity	\$798,542	Tax Credit Equity	\$7,985,000
		<b>TOTAL</b>	<b>\$23,567,838</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$19,197,646  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$24,956,940  
 Applicable Rate: 3.20%  
 Total Maximum Annual Federal Credit: \$798,500  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$656,700  
 Investor/Consultant: Enterprise Community Investment, Inc.  
 Federal Tax Credit Factor: \$1.00000

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:	\$19,197,646
Actual Eligible Basis:	\$19,197,646
Unadjusted Threshold Basis Limit:	\$14,102,528
Total Adjusted Threshold Basis Limit:	\$20,871,742

**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 – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 11%

**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 3.20% 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:**

Staff noted that the \$535,633 per unit cost is approximately 10% below the average for projects in the same geographic area.

**Local Reviewing Agency:**

The Local Reviewing Agency, the 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$798,500</b>	<b>\$0</b>

**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:** 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 TCAC placed-in-service application is submitted:

- Utilize landscaping and construction materials which are compatible with the neighborhood in which the proposed project is to be located, and that the architectural design and construction materials will provide for low maintenance and durability, as well as be suited to the environmental conditions to which the project will be subjected.