

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 18, 2011**

Project Number CA-2011-831

Project Name FAME Santa Monica Senior Apartments
Site Address: 1924/1930 Euclid Street, 1753 18th Street, 1754 19th Street
Santa Monica, CA 90404 County: Los Angeles
Census Tract: 7018.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$506,554	\$0
Recommended:	\$506,554	\$0

Applicant Information

Applicant: FAME Santa Monica Senior Apartments, L.P.
Contact: Gary Squier
Address: 3129 6th Street
Santa Monica, CA 90404
Phone: (310) 850-9043 Fax: (310) 392-5831
Email: gary@squierproperties.com

General partner(s) or principal owner(s): Squier Properties, LLC
FAME Santa Monica Senior Apartments, LLC
General Partner Type: Joint Venture
Developer: Squier Properties, LLC
Investor/Consultant: Credit Capital, LLC
Management Agent: FPI Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 49
No. & % of Tax Credit Units: 47 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 30% of area median income: 5
Number of Units @ or below 50% of area median income: 42

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: 07/01/11
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Vélia M. Greenwood

Unit Mix

42 SRO/Studio Units
 6 1-Bedroom Units
 1 2-Bedroom Units

 49 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>
4 SRO/Studio	30%	30%	\$435
1 1 Bedroom	30%	30%	\$466
21 SRO/Studio	50%	40%	\$580
16 SRO/Studio	50%	50%	\$725
1 1 Bedroom	50%	40%	\$621
4 1 Bedroom	50%	50%	\$776
1 SRO/Studio	Manager's Unit	Manager's Unit	\$687
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$869

Project Financing

Estimated Residential Project Cost: \$16,900,886 Construction Cost Per Square Foot: \$130
 Per Unit Cost: \$344,916

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Bank	\$9,367,458	CCRC	\$720,000
City of Santa Monica (RDA)	\$7,102,327	City of Santa Monica	\$11,475,000
Deferred Developer Fee	\$381,101	Tax Credit Equity	\$4,705,886
Tax Credit Equity	\$50,000	TOTAL	\$16,900,886

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,051,908
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,667,481
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$506,554
Approved Developer Fee (in Project Cost & Eligible Basis):	\$732,080
Investor/Consultant:	Credit Capital, LLC
Federal Tax Credit Factor:	\$0.92900

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:	\$12,051,908
Actual Eligible Basis:	\$12,051,908
Unadjusted Threshold Basis Limit:	\$8,478,736
Total Adjusted Threshold Basis Limit:	\$20,857,691

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: 89%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

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: None.

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
\$506,554	\$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 service in each unit, educational classes, and a contract with a service coordinator/social worker 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: 1) New Construction or Adaptive Reuse Project exceeding Title 24 Energy Standards by at least 10%; 2) incorporate the following energy efficient items: a) Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less); b) at least one high efficiency toilet (1.3 gallons per flush) or dual flush toilets per unit; and, c) bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat.