

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

Greenway Meadows, located at 1820 and 1826 14th Street in Santa Monica, requested a reservation of \$1,571,044 in annual federal tax credits, but is being recommended for a reservation of \$1,570,739 in annual federal tax credits (see the "**Significant Information / Additional Conditions**" section) to finance the new construction of 38 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Community Corporation of Santa Monica and will be located in Senate District 26 and Assembly District 50.

**Project Number** CA-18-093

**Project Name** Greenway Meadows  
**Site Address:** 1820, 1826 14th Street  
Santa Monica, CA 90404 County: Los Angeles  
**Census Tract:** 7018.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,571,044	\$0
Recommended:	\$1,570,739	\$0

**Applicant Information**

**Applicant:** Community Corporation of Santa Monica  
**Contact:** Tara Barauskas  
**Address:** 1423 2nd Street, Suite B  
Santa Monica, CA 90401  
**Phone:** 310-394-8487  
**Email:** tbarauskas@communitycorp.org

**General Partner(s) / Principal Owner(s):** Community Corporation of Santa Monica  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Community Corporation of Santa Monica  
**Developer:** Community Corporation of Santa Monica  
**Investor/Consultant:** National Equity Fund, Inc.  
**Management Agent(s):** Community Corporation of Santa Monica

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 1  
**Total # of Units:** 39  
**No. & % of Tax Credit Units:** 38 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** N/A

**Information**

Set-Aside: N/A  
 Housing Type: Seniors  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Jack Waegell

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	4	10%
At or Below 40% AMI:	8	20%
At or Below 50% AMI:	12	30%
At or Below 60% AMI:	14	35%

**Unit Mix**

38 1-Bedroom Units
1 2-Bedroom Units
<b>39 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
4 1 Bedroom	30%	30%	\$545
8 1 Bedroom	40%	40%	\$727
12 1 Bedroom	50%	50%	\$909
14 1 Bedroom	60%	60%	\$1,091
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$24,994,200

**Project Cost Summary at Application**

Land and Acquisition	\$8,169,254
Construction Costs	\$12,180,230
Rehabilitation Costs	\$0
Construction Contingency	\$833,733
Relocation	\$0
Architectural/Engineering	\$590,000
Const. Interest, Perm. Financing	\$993,748
Legal Fees, Appraisals	\$195,000
Reserves	\$159,233
Other Costs	\$1,681,547
Developer Fee	\$685,503
Commercial Costs	\$0
<b>Total</b>	<b>\$25,488,248</b>

**Residential**

Construction Cost Per Square Foot:	\$508
Per Unit Cost:	\$653,545
True Cash Per Unit Cost*:	\$653,545

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Bank of America	\$11,548,669
City of Santa Monica	\$10,570,940
Deferred Costs During Construction	\$387,753
Tax Credit Equity	\$2,983,783

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
City of Santa Monica	\$10,570,940
Tax Credit Equity	\$14,917,308
<b>TOTAL</b>	<b>\$25,488,248</b>

\* Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

\*\* See the "**Significant Information / Additional Conditions**" section.

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,425,116
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,452,650
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,570,739
Approved Developer Fee (in Project Cost & Eligible Basis):	\$685,503
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$0.94970

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$13,425,116
Actual Eligible Basis:	\$16,199,529
Unadjusted Threshold Basis Limit:	\$8,892,532
Total Adjusted Threshold Basis Limit:	\$13,427,722

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

**Tie-Breaker Information**

First:	<b>Seniors</b>
Final:	<b>52.858%</b>

**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 9.0% 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.

**Significant Information / Additional Conditions**

This project's true cash per unit cost is estimated at \$653,545. In part this is due to the project's location in the city of Santa Monica in an urban infill area on a parcel that is in a Highest Resource area as defined by the TCAC/HCD Opportunity Area Map, and the City's Zero Net Energy (ZNE) standards. In addition, this area has been experiencing an increase in construction resulting in higher materials and labor costs.

The applicant requested \$1,571,044 in annual federal tax credits. However, the project's qualified basis of \$17,452,650 only supports a maximum annual federal tax credit figure of \$1,570,739. Accordingly, TCAC is recommending a reservation of \$1,570,739 in annual federal tax credits. In addition, this reduction in recommended credits, and the corresponding reduction in the tax credit equity, leaves the project with a funding gap of \$2,897 which is within the \$50,000 shortage of sources limit allowed under regulation section 10327(a).

**Legal Status**

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**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.

## **Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax

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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.**

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**