

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Pacific Landing, located at 2120 Lincoln Boulevard in Santa Monica, requested and is being recommended for a reservation of \$1,914,956 in annual federal tax credits to finance the new construction of 36 units of housing serving large families with rents affordable to households earning 30-80% 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 62.

Project Number CA-19-068

Project Name Pacific Landing
Site Address: 2120 Lincoln Boulevard
Santa Monica, CA 90405 County: Los Angeles
Census Tract: 2737.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,914,956	\$0
Recommended:	\$1,914,956	\$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: Enterprise Community Partners
Management Agent(s): Community Corporation of Santa Monica

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 37
No. & % of Tax Credit Units: 36 100%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: N/A

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	4 10%
At or Below 40% AMI:	9 25%
At or Below 50% AMI:	12 30%
At or Below 60% AMI:	9 25%
At or Below 80% AMI:	2 1%

Average Income Project (70% and/or 80% AMI Units): 50% AMI targeted average or less

Unit Mix

18 1-Bedroom Units
9 2-Bedroom Units
10 3-Bedroom Units
<u>37 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$587
4 1 Bedroom	40%	40%	\$783
7 1 Bedroom	50%	50%	\$979
5 1 Bedroom	60%	60%	\$1,175
1 2 Bedrooms	30%	30%	\$705
3 2 Bedrooms	40%	40%	\$940
2 2 Bedrooms	50%	50%	\$1,175
2 2 Bedrooms	80%	80%	\$1,880
1 3 Bedrooms	30%	30%	\$814
2 3 Bedrooms	40%	40%	\$1,086
3 3 Bedrooms	50%	50%	\$1,357
4 3 Bedrooms	60%	60%	\$1,629
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,234,255
Construction Costs	\$15,260,441
Rehabilitation Costs	\$0
Construction Contingency	\$2,245,158
Relocation	\$0
Architectural/Engineering	\$1,112,807
Const. Interest, Perm. Financing	\$1,535,116
Legal Fees	\$130,474
Reserves	\$201,640
Other Costs	\$1,386,200
Developer Fee	\$682,872
Commercial Costs	\$405,719
Total	\$28,194,681

Residential

Construction Cost Per Square Foot:	\$534
Per Unit Cost:	\$751,053
True Cash Per Unit Cost*:	\$751,053

Construction Financing

Source	Amount
Bank of America Merrill Lynch	\$17,377,396
City of Santa Monica	\$9,547,656
Deferred Costs During Construction	\$429,264
Tax Credit Equity	\$890,366

Permanent Financing

Source	Amount
Bank of America Merrill Lynch	\$889,713
City of Santa Monica	\$9,547,656
Tax Credit Equity	\$17,757,312
TOTAL	\$28,194,681

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,367,147
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,277,291
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,914,956
Approved Developer Fee (in Project Cost & Eligible Basis):	\$682,872
Investor/Consultant:	Enterprise Community Partners
Federal Tax Credit Factor:	\$0.92730

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:	\$16,367,147
Actual Eligible Basis:	\$20,434,330
Unadjusted Threshold Basis Limit:	\$11,134,114
Total Adjusted Threshold Basis Limit:	\$16,367,147

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

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Large Family
Final:	67.460%

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 meet or 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 has an estimated cost of \$751,053 per unit. This project is a relatively small 37-unit project comprised of one-bedroom, two-bedroom, and 3-bedroom units located on an infill site in the costly coastal city of Santa Monica. The building will be 4 stories of Type V-A construction over Type I-A subterranean parking and built to LEED Platinum standards. The project also has high real estate costs of \$5,250,000 for 0.32 acres and had additional costs for the relocation of the commercial tenant (gas station/mini-mart).

When the project places in service the play/recreational area for children ages 2-12 must include accessible entrance points, must be equipped with reasonable play equipment for the size of the project, and the surface must be natural or synthetic protective material per regulation 10325(g)(1)(D).

Resyndication and Resyndication Transfer Event: None.

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 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.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school that project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	113	113	113

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.