

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 First Round**

**June 17, 2020**

**REVISED**

Las Flores Apartments, located at 1834, 1840, 1844 and 1848 14th Street in Santa Monica, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 72 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-20-057

**Project Name** Las Flores Apartments  
Site Address: 1834, 1840, 1844 and 1848 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:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

**Applicant Information**

Applicant: Community Corporation of Santa Monica  
Contact: Tara Brauskas  
Address: 1423 2nd Street, Suite B  
Santa Monica, CA 90401  
Phone: 310 394 8487  
Email: tbrauskas@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:	MUFG Union Bank
Management Agent(s):	Community Corporation of Santa Monica

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 73  
No. & % of Tax Credit Units: 72 100%  
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: Ruben Barcelo

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	8	10%
At or Below 40% AMI:	15	20%
At or Below 50% AMI:	23	30%
At or Below 60% AMI:	24	30%
At or Below 80% AMI:	2	2%

**Unit Mix**

35 1-Bedroom Units
19 2-Bedroom Units
19 3-Bedroom Units
<b>73 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
4 1 Bedroom	30%	30%	\$587
12 1 Bedroom	40%	40%	\$783
12 1 Bedroom	50%	50%	\$979
7 1 Bedroom	60%	60%	\$1,175
2 2 Bedrooms	30%	30%	\$705
1 2 Bedrooms	40%	40%	\$940
6 2 Bedrooms	50%	50%	\$1,175
7 2 Bedrooms	60%	60%	\$1,410
2 2 Bedrooms	80%	80%	\$1,880
2 3 Bedrooms	30%	30%	\$814
2 3 Bedrooms	40%	40%	\$1,086
5 3 Bedrooms	50%	50%	\$1,357
10 3 Bedrooms	60%	60%	\$1,629
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$11,261,302
Construction Costs	\$28,939,043
Rehabilitation Costs	\$0
Construction Contingency	\$1,588,513
Relocation	\$0
Architectural/Engineering	\$1,344,475
Const. Interest, Perm. Financing	\$1,972,559
Legal Fees	\$136,014
Reserves	\$290,816
Other Costs	\$1,347,997
Developer Fee	\$1,414,668
Commercial Costs	\$3,742,145
<b>Total</b>	<b>\$52,037,532</b>

**Residential**

Construction Cost Per Square Foot:	\$441
Per Unit Cost:	\$661,581
True Cash Per Unit Cost*:	\$658,402

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
MUFG Union Bank	\$26,151,221	MUFG Union Bank	\$5,085,087
City of Santa Monica	\$20,650,000	City of Santa Monica	\$20,650,000
Capitalized Upfront Lease Payment	\$1,854,870	Capitalized Upfront Lease Payment	\$1,854,870
Tax Credit Equity	\$2,424,758	Deferred Developer Fee	\$250,000
		Tax Credit Equity	\$24,197,575
		<b>TOTAL</b>	<b>\$52,037,532</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$35,508,521
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$46,161,078
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$1,414,668
Approved Developer Fee in Eligible Basis:	\$1,414,667
Investor/Consultant:	MUFG Union Bank
Federal Tax Credit Factor:	\$0.96790

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:	\$35,508,521
Actual Eligible Basis:	\$35,508,521
Unadjusted Threshold Basis Limit:	\$25,577,642
Total Adjusted Threshold Basis Limit:	\$37,599,133

**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: **72.718%**

**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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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**

The estimated cost of the project is \$661,581 per unit. This cost is due to high labor and supply costs in the region, and the costs associated with the project's LEED Platinum building design.

**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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.

<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 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 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/2 mile of a public middle school	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
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 REAPPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**