

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

1819 Pico Blvd, located at 2024 19th Street, 2024 18th Street, 1819 & 1918 Pico Boulevard in Santa Monica, California, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 47 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 50.

Project Number CA-20-117

Project Name 1819 Pico Blvd
Site Address: 2024 19th Street; 2024 18th Street; 1819, 1918 Pico Boulevard
Santa Monica, CA 90405 County: Los Angeles
Census Tract: 7018.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

Applicant Information

Applicant: Community Corporation of Santa Monica
Contact: Tara Barauskas, Executive Director
Address: 1423 2nd Street Santa Monica
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
Management Agent(s): Community Corporation of Santa Monica

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 48
No. & % of Tax Credit Units: 47 100%
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: Brett Andersen

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units	
At or Below 30% AMI:	9	19%
At or Below 40% AMI:	10	21%
At or Below 50% AMI:	8	17%
At or Below 60% AMI:	18	38%
At or Below 80% AMI:	2	4%

Unit Mix

22 1-Bedroom Units
12 2-Bedroom Units
14 3-Bedroom Units
48 Total Units

Unit Type & Number	2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5 1 Bedroom	30%	30%	\$633
8 1 Bedroom	40%	40%	\$845
6 1 Bedroom	50%	50%	\$1,056
3 1 Bedroom	60%	60%	\$1,267
1 2 Bedrooms	30%	30%	\$760
1 2 Bedrooms	30%	21%	\$522
1 2 Bedrooms	40%	21%	\$530
1 2 Bedrooms	40%	40%	\$1,014
1 2 Bedrooms	50%	50%	\$1,267
4 2 Bedrooms	60%	60%	\$1,521
1 2 Bedrooms	80%	25%	\$637
1 2 Bedrooms	80%	80%	\$2,028
2 3 Bedrooms	30%	30%	\$878
1 3 Bedrooms	50%	50%	\$1,464
11 3 Bedrooms	60%	60%	\$1,757
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,840,725
Construction Costs	\$21,959,217
Rehabilitation Costs	\$0
Construction Contingency	\$1,849,701
Relocation	\$0
Architectural/Engineering	\$1,255,103
Const. Interest, Perm. Financing	\$1,832,590
Legal Fees	\$141,276
Reserves	\$292,538
Other Costs	\$1,638,185
Developer Fee	\$1,536,939
Commercial Costs	\$2,670,712
Total	\$41,016,986

Residential

Construction Cost Per Square Foot:	\$533
Per Unit Cost:	\$792,223
True Cash Per Unit Cost*:	\$792,223

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank Of America	\$25,887,219	CCRC	\$3,421,354
CCRC	\$292,538	City of Santa Monica	\$13,348,057
City of Santa Monica	\$13,348,057	Tax Credit Equity	\$24,247,575
Deferred Developer Fee	\$301,791	TOTAL	\$41,016,986
Tax Credit Equity	\$1,187,381		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$25,032,130
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$32,541,769
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$1,536,939
Approved Developer Fee in Eligible Basis:	\$905,376
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.96990

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:	\$25,032,130
Actual Eligible Basis:	\$28,234,425
Unadjusted Threshold Basis Limit:	\$17,028,660
Total Adjusted Threshold Basis Limit:	\$25,032,130

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:	63.933%

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 project's 3-month operating reserve is less than the amount required under regulation section 10327(c)(7)(B) by \$133,337. Under regulation section 10327(a) initial application errors of 50% of the contingency line item shall be deemed covered by the contingency line item. However, at the submission of the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC including the placed-in-service submission for the issuance of the IRS 8609 forms, the applicant must fund the 3-month operating reserve at a level that meets the requirement of regulation section 10327(c)(7)(B).

The applicant's estimate of contractor profit, overhead and general requirement costs exceed TCAC limits. The applicant's estimate of deferred developer cost also exceeds the TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The project's cost per unit is \$792,223. Contributing to the project cost are: the cost of land, the high cost of construction, payment of prevailing wages, subterranean parking, and a LEED building standard.

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.

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 ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a public middle 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, SENIOR, AT-RISK HOUSING TYPES			
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
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 REAPPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.