

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2010 Second Round**  
**September 22, 2010**

**REVISED**

**Project Number** CA-2010-135

**Project Name** 2602 Broadway  
Site Address: 2602-2620 Broadway  
Santa Monica, CA 90404 County: Los Angeles  
Census Tract: 7017.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,241,402	\$0
Recommended:	\$1,241,402	\$0

**Applicant Information**

Applicant: Community Corporation of Santa Monica  
Contact: Monica Mejia  
Address: 1423 Second St. Ste B  
Santa Monica, CA 90401  
Phone: 310-394-8487 Fax: 310-395-0220  
Email: monica.mejia@communitycorp.org

General partner(s) or principal owner(s):	Community Corporation of Santa Monica
General Partner Type:	Nonprofit
Developer:	Community Corporation of Santa Monica
Investor/Consultant:	Enterprise Community Investment
Management Agent:	Community Corporation of Santa Monica

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 4  
Total # of Units: 33  
No. & % of Tax Credit Units: 32 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: N/A  
Affordability Breakdown by % (Lowest Income Points):  
30% AMI: 10 %  
45% AMI: 40 %  
50% AMI: 25 %

**Information**

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

**Unit Mix**

23 2-Bedroom Units  
10 3-Bedroom Units  
 33 Total Units

<u>Unit Type &amp; 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>
3 2 Bedrooms	30%	30%	\$559
9 2 Bedrooms	45%	45%	\$839
6 2 Bedrooms	50%	50%	\$932
5 2 Bedrooms	60%	60%	\$1,119
1 3 Bedrooms	30%	30%	\$646
5 3 Bedrooms	45%	45%	\$969
3 3 Bedrooms	50%	50%	\$1,076
1 3 Bedrooms	60%	60%	\$1,292

On-site manager will be a qualified low-income tenant. All units are qualified tax credit units.

**Project Financing**

Estimated Total Project Cost: \$20,195,869      Construction Cost Per Square Foot: \$155  
 Per Unit Cost: \$611,996

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America	\$8,184,728	Bank of America	\$858,540
City of Santa Monica	\$9,407,103	City of Santa Monica	\$9,407,103
Tax Credit Equity	\$2,132,558	Tax Credit Equity	\$9,930,226
		<b>TOTAL</b>	<b>\$20,195,869</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$10,610,277
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$13,793,360
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,241,402
Approved Developer Fee (in Project Cost & Eligible Basis):	\$492,525
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	\$0.79992

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:	\$10,610,277
Actual Eligible Basis:	\$13,875,579
Unadjusted Threshold Basis Limit:	\$7,503,680
Total Adjusted Threshold Basis Limit:	\$10,610,277

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

Parking Beneath Residential Units

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

- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects recycling at least 75% of the construction and demolition waste
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First: **Large Family**  
Second: **94.042%**

**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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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:** The project's per unit cost, \$611,997, is relatively high due in part to the high land cost of \$5,175,000 for 0.76 acres covered by a loan from the city of Santa Monica, the low unit count of the project (33 units) but with but larger size units (23 two-bedroom units and 12 three-bedroom units), and the in-fill project design with extensive community space and 4 three-story residential buildings over a parking garage.

**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, the 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,241,402</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. 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 ten 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)(6) 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.

**Additional Conditions:** None.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Large Family proj. w/i ½ mile of public school project children may attend	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Sustainable Building Methods</b>	<b>8</b>	<b>8</b>	<b>8</b>
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Formaldehyde free cabinets, countertops and shelving	1	1	1
CRI Green-label, low-VOC carpet and pad	1	1	1
Formaldehyde-free insulation	1	1	1
Recycled materials incorp. into concrete, carpet, road base, landscape	1	1	1
Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
Construction Indoor Air Quality Management plan	2	2	2
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>State Credit Substitution</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>146</b>	<b>146</b>	<b>146</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.**