

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 Second Round
September 21, 2016

The Arroyo, located at 1626 Lincoln Boulevard in Santa Monica requested and is being recommended for a reservation of \$2,201,778 in annual federal tax credits to finance the new construction 63 units of housing serving large families 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-16-131

Project Name The Arroyo
 Site Address: 1626 Lincoln Blvd.
 Santa Monica, CA 90404 County: Los Angeles
 Census Tract: 7019.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,201,778	\$0
Recommended:	\$2,201,778	\$0

Applicant Information

Applicant: 1626 Lincoln, L.P.
 Contact: Erin Schlitts
 Address: 1423 2nd St. Suite B
 Santa Monica, CA 90401
 Phone: 310-394-8487 Fax: 310-975-6626
 Email: erin@communitycorp.org

General Partner(s) / Principal Owner(s): CCSM Arroyo LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Community Corporation of Santa Monica
 Developer: Community Corporation of Santa Monica
 Investor/Consultant: Enterprise Community Investment, Inc.
 Management Agent(s): Community Corporation of Santa Monica

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 64
 No. & % of Tax Credit Units: 63 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 7 10 %
 40% AMI: 13 20 %
 50% AMI: 26 40 %

Information

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

Unit Mix

29 1-Bedroom Units
 18 2-Bedroom Units
 17 3-Bedroom Units

 64 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$488
13 1 Bedroom	40%	40%	\$651
13 1 Bedroom	50%	50%	\$814
2 2 Bedrooms	30%	30%	\$586
13 2 Bedrooms	50%	50%	\$977
2 2 Bedrooms	60%	60%	\$1,173
2 3 Bedrooms	30%	30%	\$677
15 3 Bedrooms	60%	60%	\$1,354
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$564

Project Cost Summary at Application

Land and Acquisition	\$16,459,780
Construction Costs	\$20,249,976
Rehabilitation Costs	\$0
Construction Contingency	\$1,024,114
Relocation	\$0
Architectural/Engineering	\$275,612
Const. Interest, Perm. Financing	\$1,111,877
Legal Fees, Appraisals	\$194,000
Reserves	\$377,857
Other Costs	\$978,140
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$42,671,356

Project Financing

Estimated Total Project Cost:	\$42,671,356
Estimated Residential Project Cost:	\$42,671,356
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$326
Per Unit Cost:	\$666,740
True Cash Per Unit Cost*:	\$410,099

Construction Financing

Source	Amount
Citibank	\$4,230,116
Seller Loan	\$2,025,000
Tax Credit Equity	\$18,633,383

Permanent Financing

Source	Amount
Citibank	\$929,627
Seller Loan	\$2,025,000
Seller Land Donation	\$16,425,000
Tax Credit Equity	\$23,291,729
TOTAL	\$42,671,356

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,863,142
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,522,084
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,201,778
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Enterprise Community Investment, Inc.
Federal Tax Credit Factor:	\$1.05786

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:	\$18,863,142
Actual Eligible Basis:	\$24,311,273
Unadjusted Threshold Basis Limit:	\$14,852,867
Total Adjusted Threshold Basis Limit:	\$18,863,142

Adjustments to Basis Limit

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:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
 - New construction: project buildings are at least 15% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
 - Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	60.254%

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.

Special Issues/Other Significant Information

Staff noted this large family project in Santa Monica having development costs at approximately \$666,740 per unit. However, the project is receiving the land, valued at \$16,425,000, as a \$1 donation in order for the seller to meet its affordable housing requirements imposed on it by the City of Santa Monica for the construction of another project of the seller.

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.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$2,201,778	\$0

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)(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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
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 a full-scale grocery/supermarket of at least 25,000 sf	5	5	0
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	0	4
Within 1 mile of a public high school that project children may attend	3	3	3
Within ½ mile of a pharmacy	2	2	2
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			
Develop project in accordance w/ requirements of LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	138	138	138

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.