

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
October 19, 2011**

**Project Number** CA-2011-888

**Project Name** The Village Santa Monica Site B (Belmar Apartments)  
Site Address: 1725 Ocean Avenue  
Santa Monica, CA 90401 County: Los Angeles  
Census Tract: 7019.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,961,867	\$0
Recommended:	\$2,961,867	\$0

**Applicant Information**

Applicant: Santa Monica Housing Partners, L.P.  
Contact: Frank Cardone  
Address: 18201 Von Karman Avenue, Suite 900  
Irvine, CA 92612  
Phone: (949) 660-7272 Fax: (949) 660-7273  
Email: fcardone@related.com

General partner(s) or principal owner(s): Related/Santa Monica Development Co., LLC  
Community Corporation of Santa Monica  
General Partner Type: Joint Venture  
Developer: Related Development Company of California, LLC  
Investor/Consultant: Wells Fargo Bank N.A.  
Management Agent: Related Management Company

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 3  
Total # of Units: 160  
No. & % of Tax Credit Units: 158 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax Exempt  
HCD MHP Funding: Yes  
55-Year Use/Affordability: Yes  
Number of Units @ or below 35% of area median income: 58  
Number of Units @ or below 50% of area median income: 47  
Number of Units @ or below 60% of area median income: 53

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: October 17, 2011  
 Credit Enhancement: Letters of Credit

**Information**

Housing Type: Large Family  
 Geographic Area: Los Angeles County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

10 SRO/Studio Units  
 28 1-Bedroom Units  
 56 2-Bedroom Units  
66 3-Bedroom Units  
 160 Total Units

<u>Unit Type &amp; Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 SRO/Studio	30%	30%	\$448
6 SRO/Studio	60%	60%	\$897
10 1 Bedroom	30%	30%	\$480
9 1 Bedroom	50%	50%	\$801
9 1 Bedroom	60%	60%	\$961
20 2 Bedrooms	30%	30%	\$576
17 2 Bedrooms	50%	50%	\$961
17 2 Bedrooms	60%	60%	\$1,153
24 3 Bedrooms	30%	30%	\$666
21 3 Bedrooms	50%	50%	\$1,110
21 3 Bedrooms	60%	60%	\$1,332
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$69,960,767  
 Estimated Residential Project Cost: \$69,960,767

**Residential**

Construction Cost Per Square Foot: \$142  
 Per Unit Cost: \$437,255

**Construction Financing**

Source	Amount
Wells Fargo Bank N.A. - Facility A	\$7,660,000
Wells Fargo Bank N.A. - Facility B	\$37,474,720
City of Santa Monica RDA	\$19,400,000
Costs Deferred During Construction	\$446,013
Deferred Developer Fee	\$1,900,000
Tax Credit Equity	\$3,080,034

**Permanent Financing**

Source	Amount
Wells Fargo Bank N.A.	\$7,660,000
City of Santa Monica RDA	\$19,400,000
HCD - MHP	\$10,000,000
Photovoltaic Federal Tax Credit	\$380,584
CA Energy Commission - Rebate	\$419,844
Deferred Developer Fee	\$1,300,001
Tax Credit Equity	\$30,800,338
<b>TOTAL</b>	<b>\$69,960,767</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$67,010,568  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$87,113,738  
 Applicable Rate: 3.40%  
 Total Maximum Annual Federal Credit: \$2,961,867  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$2,500,000  
 Investor/Consultant: Wells Fargo Bank N.A.  
 Federal Tax Credit Factor: \$1.03990

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:	\$67,010,568
Actual Eligible Basis:	\$67,010,568
Unadjusted Threshold Basis Limit:	\$40,054,756
Total Adjusted Threshold Basis Limit:	\$96,862,368

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 29%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 72%

**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 3.40% 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:** This project is "Site B" of the larger 3-site mixed-income, mixed-use community known as The Village Santa Monica. Site A is a condominium market-rate project with retail/restaurant space that is contiguous to Site B, the tax credit project. The subterranean garage spans both Site A & Site B. Site B will have 199 parking spaces available. Some of the Site B parking is located on Site A. Site A and Site B will have a Reciprocal Easement Agreement (REA) allowing for the shared use of the elevators, traffic circulation, stairs etc. in this contiguous garage. The REA also grants the right to each site's respective parking spaces.

**Local Reviewing Agency:**

The Local Reviewing Agency, Redevelopment Agency of 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>\$2,961,867</b>	<b>\$0</b>

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 an 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.

**Additional Conditions:** The applicant/owner is required to provide the tenants with a bona fide service coordinator/social worker free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: 1) Exceed Title 24 energy standards by at least 10%; 2) At least one high efficiency toilet (1.3 gallons per flush) or dual flush toilet per unit; 3) Formaldehyde-free insulation; 4) Inclusion of no-smoking buildings or sections of buildings consisting of at least half of the units within the building and the units are contiguous.