STATE OF CALIFORNIA
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
915 CAPITOL MALL, ROOM 485
SACRAMENTO, CA 95814
TELEPHONE: (916) 654-6340
FAX: (916) 654-6033

William J. Pavão
Executive Director

Tax Exempt
Reservation Letter

July 20, 2011

Shylesh Viswanathan
Community Corporation of Santa Monica
1423 Second Street, Suite B
Santa Monica, CA 90401

RE: **CA-2011-834 / High Place West**
2345 Virginia Avenue
Santa Monica, CA 90404

Dear Ms. Viswanathan:

The California Tax Credit Allocation Committee (TCAC), in its role as administrator of the federal and California Low Income Housing Tax Credit programs (Tax Credit programs) established by Section 42 of the Internal Revenue Code of 1986, as amended, and Sections 12206, 17058 and 23610.5 of the California Revenue and Taxation Code, respectively, hereby reserves for the project referenced above low income housing tax credits in the following amount(s) and under the following conditions and limitations:

$818,946 in federal Tax Credits annually for each of ten years (applicable percentage of 3.40 %);

$0 in total state Tax Credits taken over a four-year period based upon the applicable federal rates used to determine the federal credits.

These credit amounts have been calculated using a qualified basis of $24,411,778 and the applicable percentages shown above. While the actual qualified basis and applicable percentage may change, the credit amounts of the reservations stated above can be adjusted for projects requesting credit under Section 10326 at the time of placed-in-service.

The Tax Credit Allocation Committee has reviewed all documentation required to be submitted before issuance of this letter and finds them to be acceptable and in accordance with the Qualified Allocation Plan. Additionally, TCAC conducted its initial evaluation to determine the appropriate amount of tax credits needed for financial feasibility and long-term viability.

This evaluation is performed to assess whether development and operating costs are reasonable, that program requirements are being adhered to and that no more tax credits are awarded than are needed to fill the gap left after considering all other committed funding. Any special conditions stated in the attached staff report must be adhered to.

This reservation is further conditioned upon the project's owner providing TCAC with an updated development timetable by either December 31st of the year following the year the project received its reservation of Tax Credits for rehabilitation projects, or by December 31st of the second year following the year the project received its reservation of Tax Credits for new construction projects, as required under Regulation Section 10326(j).

This Reservation is further conditioned upon the project owner's constructing, purchasing, or rehabilitating the project in accordance with the application submitted to TCAC and upon the owner placing the project in service within the time periods allowed by law and regulation. The allocation may be rescinded if satisfactory progress toward completion is not maintained. Prior to issuance of IRS Form 8609 and/or FTB 3521A, the project owner must furnish to TCAC each of the items listed below.

(1) an updated application (including MS Excel version on CD/flashdrive) which shows in every respect what changes have occurred or are being proposed from the application upon which this Reservation was made (all changes are subject to approval by the Committee);

(2) Certificates of Occupancy for each building in the project (a certificate of completion is required for all rehabilitation projects) and if acquisition credits are involved, proof of the date the project was placed in service for acquisition purposes and proof that the required rehabilitation was completed as well;

(3) written certification from the syndicator (or other acceptable source if no syndicator was involved) of total funds raised (or to be raised) from sale of the tax credits, an itemization of all costs associated with the syndication, the total payment to the partnership, and the pay-in schedule;

(4) a certification, on TCAC Sources and Uses Certification of Costs and Eligible Basis form, of actual total project costs and eligible basis incurred, to be signed by project owner and independent tax accountant;

(5) a copy of any cost certification submitted to and approved by RHS or other lenders;

(6) a certification, which includes a detailed calculation, from an independent tax accountant or tax attorney that 50% or more of the project's aggregate basis (including land) is financed with tax-exempt bonds subject to the volume cap for projects that received Tax Credits under the provisions of Section 10326 of these regulations;

(7) a detailed explanation of any significant discrepancies between initial projected line-item development costs and certified costs;

(8) copies of recorded deed of trust for all permanent loan financing or other financing required to complete the permanent financing of the project;

(9) a completed TCAC Form B for each building in the project, showing costs incurred separately for each building; If the placed-in-service date(s) denoted are different from the date on the Certificate of Occupancy, a detailed explanation is required;

(10) a certification identifying all federal, state and local subsidies which apply to the project including source, type (whether it's a loan, grant, rent subsidy, etc.), terms and amount;

(11) an updated 15-year cash flow analysis;

(12) a list of all amenities provided at the site. If the list differs from that submitted at application, an explanation must be provided;

(13) a description of any charges that may be paid by the tenants in addition to rent, with an explanation of how such charges affect eligible basis;

(14) all documentation required pursuant to the Compliance and Verification requirements of Sections 10325(f)(7) and 10326(g)(6);

(15) all documentation required pursuant to the Compliance and Verification requirements of Section 10325(c)(6), if applicable; and
(16) all documents required pursuant to the Compliance and Verification requirements of Section 10327(c)(5)(B).
(17) a certification from the project architect that the physical buildings are in compliance with all applicable fair housing laws;
(18) if seeking a reduction in the operating expenses used in the Committee's final underwriting pursuant to Section 10327(g)(1), provide evidence from the permanent lender and credit enhancer that they have agreed to such lesser operating expenses;
(19) photographs of the completed building(s) and project facilities/amenities (play areas, laundry rooms, community rooms, etc.);
(20) a copy of the executed partnership agreement;
(21) a completed Project Ownership Profile;
(22) a management marketing plan that includes detail about how units will be marketed to attract households of the type and income required to be targeted;
(23) a certification that the physical space for service amenities exists, is complete and ready for use;
(24) a detailed description of the services currently provided to the tenants including copies of the contracts for such services. If the services are not yet available at the time of submission, a description of the proposed services and a timetable for the provision of the services; and,
(25) election to fix the gross rent floor at building's placed in service (if elected). Election must be signed and notarized prior to the building's placed in service date; and
(26) a request for the issuance of IRS Forms 8609 and/or FTB 3521A.

Internal Revenue Procedure 94-57 allows owners of qualified housing projects to specify the date on which the gross rent floor described in Section 42(g)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code") will take effect. The IRS will treat the gross rent floor as taking effect on the date of this reservation under Code Section 42(h)(1). However, the IRS will treat the gross rent floor as taking effect on a building's placed in service date if the building owner designates that date as the date on which the gross rent floor will take effect for the building. <u>The project owner must make this designation to use the placed in service date no later than the date on which the building is placed in service</u>. If elected, the TCAC election form on our website (http://www.treasurer.ca.gov/ctcac/inservice/STOhome.asp) will be required to be submitted with the rest of the items listed above prior to issuance of IRS Form 8609 and/or FTB 3521A.

Before issuance of IRS Form 8609 and/or FTB 3521A, the project owner will be required to sign a TCAC Regulatory Agreement which will bind current and future owners to covenants previously agreed to by the project owner and TCAC. The project will be monitored by TCAC for the duration of the compliance period to ensure that the project is abiding by all covenants. Projects will be charged a one-time monitoring fee of $410 per unit. This fee must be paid before any tax forms will be issued and/or the Regulatory Agreement will be recorded. (Credits cannot be claimed if the Agreement has not been recorded.)

Within 20 days of the date of this reservation, by 5:00 p.m. on August 9, 2011, the owner must provide a cashier's check made out to the Committee in the amount of $8,189, which is the reservation fee required for this project. The reservation fee is <u>not refundable</u>.

By accepting this Reservation, the owner understands and accepts the risks that the U.S. Congress, U.S. Department of the Treasury or the State of California may change the requirements for the award of tax credits by subsequent enactment of law or regulation. The owner further acknowledges that it has consulted its own tax advisor as to any consequences related to this Reservation or eventual award of tax credits.

TCAC accepts no responsibility for any adverse consequences to the owner if the owner chooses to proceed with the project based upon this Reservation. Upon mutual consent with the TCAC, the project's Reservation may be canceled and the credits returned to TCAC to be reused (IRC Sec. 42(h)(3)(C)(iii)).

The owner is advised that TCAC is required by law to perform a financial evaluation of your project after it is placed in service and before issuance of tax forms. TCAC has the responsibility to determine the reasonableness of all costs included in the development of this project. The evaluation and reasonableness determination may result in the denial of any allocation of tax credits or a reduction in the amount of tax credits finally allocated to this project. If the feasibility analysis indicates that less credits are allowable, the credit allocation will be adjusted accordingly, and the excess credits must be returned.

Please examine the provisions of this Reservation carefully, and advise me promptly if there are any errors contained herein. If you agree to the terms of this Reservation, please sign and date this form and deliver the ***original by 5:00 p.m. August 9, 2011***, to the TCAC at 915 Capitol Mall, Room 485, Sacramento, CA 95814. You are encouraged to keep a copy of this document for your records.

Executed this 20th day of July, 2011.

By: ______________________
William J. Pavão
Executive Director

Accepted this 26 day of July, 2011.

By: ______________________
(signature)

SARAH LETTS, EXECUTIVE DIRECTOR,
(type or print name)

COMMUNITY CORPORATION OF SANTA MONICA
(type or print title)

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2011

Project Number	CA-2011-834	
Project Name	High Place West	
Site Address:	2345 Virginia Avenue	
	Santa Monica, CA 90404	County: Los Angeles
Census Tract:	7018.010	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$818,946	$0
Recommended:	$818,946	$0

Applicant Information

Applicant:	Community Corporation of Santa Monica		
Contact:	Shylesh Viswanathan		
Address:	1423 Second Street, Suite B		
	Santa Monica, CA 90401		
Phone:	310-394-8487	Fax:	310-975-6605
Email:	shylesh@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, Inc.
Management Agent:	Community Corporation of Santa Monica

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	6
Total # of Units:	47
No. & % of Tax Credit Units:	46 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / CDBG
HCD MHP Funding:	Yes
55-Year Use/Affordability:	Yes
Number of Units @ or below 35% of area median income:	22
Number of Units @ or below 60% of area median income:	24

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	08/01/11
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Los Angeles County
TCAC Project Analyst:	Velia M. Greenwood

Unit Mix

32 2-Bedroom Units
15 3-Bedroom Units
47 Total Units

Unit Type & Number	2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15 2 Bedrooms	35%	35%	$652
16 2 Bedrooms	60%	60%	$1,119
7 3 Bedrooms	35%	35%	$753
8 3 Bedrooms	60%	60%	$1,292
1 2 Bedrooms	Manager's Unit	Manager's Unit	$1,066

Project Financing

Estimated Total Project Cost:	$24,606,439
Estimated Residential Project Cost:	$24,606,439

Residential

Construction Cost Per Square Foot:	$185
Per Unit Cost:	$523,541

Construction Financing

Source	Amount
Citi Community Capital	$12,000,000
City of Santa Monica	$11,019,970
Tax Credit Equity	$777,998

Permanent Financing

Source	Amount
CA Community Reinvestment Corp.	$1,138,438
HCD - MHP	$3,667,537
City of Santa Monica	$12,020,481
Tax Credit Equity	$7,779,983
TOTAL	**$24,606,439**

Determination of Credit Amount(s)

Requested Eligible Basis:	$18,778,291
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$24,411,778
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	$818,946
Approved Developer Fee (in Project Cost & Eligible Basis):	$701,475
Investor/Consultant:	Enterprise Community Investment, Inc.
Federal Tax Credit Factor:	$0.95000

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:	$18,778,291
Actual Eligible Basis:	$18,778,291
Unadjusted Threshold Basis Limit:	$12,001,280
Total Adjusted Threshold Basis Limit:	$27,722,957

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
Parking Beneath Residential Units
95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 94%

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: Development costs are roughly $523,541 per unit. The high cost was due to the City of Santa Monica's specific requirements for new construction that include: Stringent design requirements, which requires the site to be broken up into seven separate buildings due to zoning; green standards that require exceeding Title 24 standards by 15%, as well as use several recycled products, and provide urban runoff mitigation for the site. Project must provide full subterranean parking and 1.7 parking spaces per low-income unit. Furthermore, the site is located adjacent to a freeway, which requires higher sound insulation. The project's design includes vacating a street that runs through the center of the development and building a new access road. The requirement to pay state prevailing wages are also contributed to the higher development cost.

Local Reviewing Agency:

The Local Reviewing Agency, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
$818,946	**$0**

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: None.