

City of  
**Santa Monica**<sup>®</sup>

Office of the City Attorney  
City Hall  
1685 Main Street  
PO Box 2200  
Santa Monica, California 90407-2200

Marsha Jones Moutrie  
City Attorney

May 16, 2012

**Via Federal Express and E-Mail**

Pedro R. Reyes, Chief Deputy Director  
Department of Finance  
915 L Street, Floor 8  
Sacramento, CA 95814

Evelyn Suess, Supervisor  
Department of Finance  
915 L Street, Floor 8  
Sacramento, CA 95814

Jennifer K. Rockwell, Chief Counsel  
Department of Finance  
915 L Street, Floor 8  
Sacramento, CA 95814

Michael Barr, Lead Analyst  
Department of Finance  
915 L Street, Floor 8  
Sacramento, CA 95814

Mark Hill, Project Budget Management  
Department of Finance  
915 L Street, Floor 8  
Sacramento, CA 95814

Re: *City of Santa Monica - ROPS July – December 2012*

Dear Department of Finance Administrators:

Our office represents the City of Santa Monica (“City”) in its capacity as the Successor Agency (“Successor Agency”) to the former Santa Monica Redevelopment Agency (“RDA”) in accordance with ABx1 26. This letter is submitted to you, in response to correspondence, dated May 11, 2012, exchanged between the Department of Finance (“DOF”) and the Successor Agency regarding the Successor Agency’s July – December 2012 ROPS, which was submitted to the DOF on April 27, 2012.

I.

**DOF’s provisional rejection of Items 1 through 3, 5 through 10, and 13 through 17 on the ROPS for July – December 2012 is improper because these rejected payments must be paid from secured property taxes deposited into the Redevelopment Property Tax Trust Fund.**

In its May 11, 2012 letter (enclosed for your reference), DOF indicated that Items 1 through 3, 5 through 10, and 13 through 16 on the July – December 2012 ROPS must be

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corrected on the grounds that Health and Safety Code section 34177(l)(1) requires the Successor Agency to list one or more of the following sources of payment for these items:

- Low and Moderate Income Housing Fund
- Bond Proceeds
- Reserve Balances
- Administrative Cost Allowance

In fact, Section 34177(l)(1)(E) also allows Successor Agencies to list obligations to be paid from the County Redevelopment Property Trust Tax Fund ("RPTTF"), as follows:

The Redevelopment Property Tax Trust Fund, but only to the extent no other funding source is available *or when payment from property tax revenues is required by an enforceable obligation* or by the provisions of this part."

As indicated in the summaries, below, the payments of items 1 through 3, 5 through 10, and 13 through 16 must be made from the RPTTF and deposited into the Successor Agency's Redevelopment Obligation Retirement Fund ("RORF"). These payments are required by an enforceable obligation or the provisions of Part 1.85 of the Health and Safety Code. The documentation for these items was provided last week to DOF's analyst, Veronica Green.

1. Item 1: \$72,086 monthly interest payment due on June 1, 2012 in accordance with a \$60 million Wells Fargo Credit Agreement ("Wells Fargo Loan Agreement"), dated March 11, 2011, by and between Wells Fargo Bank, N.A., and the RDA (as "Borrower"). The outstanding balance owed to Wells Fargo Bank is \$58.8 million. In accordance with Section 4.1 of the Wells Fargo Loan Agreement, the Borrower's obligation to make payments *is a special limited obligation of the Borrower payable from and secured solely by a pledge of and security interest in and to all Tax Revenues (excluding low and moderate set aside), subordinate only to the first priority pledge of Tax Revenues to secure the Senior Debt (2006 TABs). Section 2.1 also provides that Borrower has no right of rescission.*
2. Item 2: A combined principal and interest payment in the amount of \$4,357,800 to Wells Fargo on January 1, 2013, in accordance with Section 2.3(b) of the Wells Fargo Loan Agreement (see Item 1, above). Because ABx1 26 does not allow for distribution of property taxes for payments due on January 1, 2013, until January 16, 2013, payment in the amount of \$4,357,800 during the July – December 2012 period is necessary to avoid a default of the Wells Fargo Loan Agreement on January 1, 2013.
3. Items 3 & 5: Semi-annual payments in the amount of \$1,131,206 due on July 1, 2012 and January 1, 2013 to Union Bank, N.A., as trustee for receipt of payments on 2011 Tax

Allocation Bonds issued on June 7, 2011 ("2011 TABs").<sup>1</sup> The bond amount is \$41,050,000. In accordance with Page 2 of the Official Statement, ***the bonds are payable from and secured by Tax Revenues from the Earthquake Recovery Redevelopment Project Area.*** Because ABx1 26 does not allow for distribution of property taxes for payments due on January 1, 2013, until January 16, 2013, payment of both semi-annual payments during the July – December 2012 period is necessary to avoid a default of the 2011 TABs on January 1, 2013.

4. Items 6-7: Semi-annual payments in the amount of \$1,113,647 due on July 1, 2012 and January 1, 2013 to Union Bank, N.A., as trustee for receipt of payments on 2006 Tax Allocation Bonds Series A issued on April 11, 2006 ("2006 Series A TABs").<sup>2</sup> The bond amount is \$49,945,000 ("Series A Refunding Bonds"). In accordance with Page 2 of the Official Statement, ***the Series A Refunding Bonds are payable from and secured by Tax Revenues from the Earthquake Recovery Redevelopment Project Area.*** Because ABx1 26 does not allow for distribution of property taxes for payments due on January 1, 2013, until January 16, 2013, payment of both semi-annual payments during the July – December 2012 period is necessary to avoid a default of the 2006 Series A TABs on January 1, 2013.
5. Items 8-9: Annual payment in the amount of \$2,115,138 due on July 1, 2012 and interest payment in amount of \$55,000 due on January 1, 2013 to Union Bank, N.A., as trustee for receipt of payments on 2006 Tax Allocation Bonds Series B issued on April 11, 2006 ("2006 Series B TABs").<sup>3</sup> The bond amount is \$14,775,000 ("Series B Refunding Bonds"). In accordance with the Page 2 of the Official Statement, ***the Series B Refunding Bonds are payable from and secured by Tax Revenues from the Earthquake Recovery Redevelopment Project Area.*** Because ABx1 26 does not allow for distribution of property taxes for payments due on January 1, 2013, until January 16, 2013, payment of the \$55,000 interest payment during the July – December 2012 period is necessary to avoid a default of the 2006 Series B Refunding Bonds on January 1, 2013.
6. Items 10 & 13: Annual payment in the amount of \$1,499,005 due on July 1, 2012 and interest payment in the amount of \$219,630 due on January 1, 2013, to BNY Western Trust Company, as trustee for receipt of payments on 2002 Tax Allocation Bonds issued on April 18, 2002 ("2002 TABs").<sup>4</sup> The bond amount is \$19,315,000. In accordance with Page 14 of the Official Statement, ***the 2002 TABs are payable from and secured by Tax Revenues from the Ocean Park Redevelopment Project Area.*** Because ABx1 26 does not allow for distribution of property taxes for payments due on January 1, 2013, until

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<sup>1</sup> These bond payments are due to the trustee at least four days in advance of payments to bond holders.

<sup>2</sup> See Footnote 1.

<sup>3</sup> See Footnote 1.

<sup>4</sup> These bond payments are due to the trustee on June 15 and December 15, respectively.

January 16, 2013, payment of the \$219,630 interest payment during the July – December 2012 period is necessary to avoid a default of the 2002 TABs on January 1, 2013.

7. Items 14-15: \$1,987,390 payment due on July 15, 2012 and a \$2,019,696 payment due on January 1, 2013 in accordance with a \$50 million Bank of America Credit Agreement (“Bank of America Loan Agreement”), dated May 1, 2008, by and between Bank of America, N.A., and the RDA (as “Borrower”). The outstanding balance owed to Bank of America is \$58.7 million. In accordance with Section 4.1 of the Bank of America Loan Agreement, *the Borrower’s obligation to make payments is a special limited obligation of the Borrower payable from and secured solely by a pledge of and security interest in and to Low and Moderate Income Housing Tax Revenues from the Earthquake Recovery Redevelopment Project Area, subordinate only to the first priority pledge of Tax Revenues to secure the Senior Debt (2006 TABs).*
8. Item 16: a \$3,300,000 payment due on January 1, 2013 to pay the sellers of real property acquired by the RDA on October 7, 2010. In accordance with the Purchase and Sale Agreement for acquisition of the property, the RDA has an obligation to make annual payments to the sellers through January 1, 2042. The annual payments are evidenced by six secured promissory notes totaling \$42.5 million.

*In accordance with Health and Safety Code section 34172(c), the RPTTF is a special fund of the dissolved RDA to pay principal of and interest on loans, moneys advanced to, or indebtedness, whether funded, refunded, assumed or otherwise incurred by the dissolved RDA. The notes constitute “enforceable obligations” under Health and Safety Code section 34171(d)(2). The Successor Agency is unable to make the payments on the promissory notes from any source other than property tax revenues.*

We also note the clear and express intent of AB x1 26 is to honor these types of creditor obligations. DOF itself has taken many steps to assure the financial community that AB 1X 26 would not result in defaults on bonds and loans. In fact, in a letter to counties, cities and successor agencies dated March 2, 2012, Finance Director Ana Matosantos wrote:

*We believe that the fiduciary duty a successor agency owes to its undisputed creditors takes precedence over any right to dispute whether other items are enforceable obligations.*

Furthermore, the intent of the Legislature, that these kinds of obligations be honored, is clearly expressed in the following provisions:

- Health and Safety Code section 34174(a), which provides that “*nothing in this act [ABx1 26] adding this part [Part 1.85 of Division 24 of the Health and Safety Code] is intended to be construed as an action or circumstance that may give rise*

*to an event of default under any of the documents governing the enforceable obligations.*" [Emphasis added.]

- Health and Safety Code section 34175(a), which provides, "It is the intent of this part [Part 1.85 of Division 24 of the Health and Safety Code] that *pledges of revenues associated with enforceable obligations* of the former redevelopment agencies *are to be honored*. It is intended that the *cessation of any redevelopment agency shall not affect* either the pledge, the legal existence of that pledge, or *the stream of revenues available to meet the requirements of the pledge.*" [Emphasis added.]

Health and Safety Code section 34171(d), added by ABx1 26, defines "enforceable obligations" to include, among other types of agreements and arrangements, bonds, including required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds.

It is beyond doubt that the TABs issued by the RDA are "enforceable obligations" under ABx1 26. As such, the City, as Successor Agency, has the duty to perform and to honor the covenants required by the TABs. (Health & Saf. Code § 34177(c) ["Successor agencies are required to . . . Perform obligations required pursuant to any enforceable obligation."].)

Even more, ABx1 26 includes additional mandatory provisions applicable to the TABs. For instance, successor agencies must "maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds." (Health & Saf. Code § 34177(b).)

## II.

***The use of the 2011 TABs proceeds, institutional loan proceeds, and real properties acquired by the RDA is irrelevant to whether the 2011 TAB indentures, Bank of America Loan Agreement and Wells Fargo Agreement constitute enforceable obligations.***

In prior verbal communications to Successor Agency staff, DOF analyst, Veronica Green, stated that the DOF is likely to reject the payments owed to Wells Fargo Bank, Bank of America and the 2011 TABs bondholders that are listed on the July – December 2012 ROPS to the extent that the proceeds of the Wells Fargo Loan Agreement, Bank of America Loan Agreement, and 2011 TABs were used to fund third party encumbrances executed after June 27, 2011. This logic contradicts the express language of AB x1 26 and, if followed, would result in a breach of the fiduciary duties owed to the 2011 TABs bondholders, Wells Fargo Bank and Bank of America. Further, this logic is also based upon the erroneous assumptions that (i) the Cooperation Agreements by and between the City and Agency were not in effect during the

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period from June 28, 2011 to January 31, 2012 and (ii) AB x1 26 prohibited the City from entering into third party agreements.

In accordance with Health and Safety Code section 33445, the City and RDA entered into a Cooperation Agreement, dated January 9, 2003, pursuant to which the RDA agreed to transfer its Low and Moderated Income Housing funds from the Earthquake Redevelopment Project Area to the City in consideration for the City's construction of affordable housing. The RDA's funding obligation was listed on its statements of indebtedness provided to the County Auditor-Controller and annual reports provided to the State Controller since 2003. More importantly, the definition of "enforceable obligation" in Section 34167 remained in effect until February 1, 2012, and did not exclude City and Agency agreements. Consequently, the Cooperation Agreement remained in effect from June 28, 2011 through January 31, 2012.

In furtherance of its funding obligations under the Cooperation Agreement and to fulfill its independent obligations under the Community Redevelopment Law, the RDA entered into the Bank of America Loan Agreement in 2008, which specifically restricted the use of the loan proceeds for affordable housing activities. To that end, the Bank of America loan proceeds were expended for thirteen (13) affordable housing projects, representing construction of 364 affordable dwelling units. In accordance with standard loan procedures, the RDA first funded pre-development and/or acquisition loans, and then entered into loan commitment letters so that these affordable housing developers could procure layered sources of funding, including federal and state tax credits, multi-family tax exempt bonds, and institutional construction loans. Once these other financing sources were procured, the RDA then entered into construction loan agreements with the developers in accordance with the RDA's commitment letters. A complete listing of these projects and their funding status was provided to Ms. Green on May 4, 2012. All of the pre-development loans and commitment letters for these 13 projects were issued before June 27, 2011, although two (2) construction loan agreements were funded by the City in accordance with the Cooperation Agreement after June 27, 2012, while the Cooperation Agreement was still in effect. It should be noted that the State's Tax Credit Allocation Committee ("TCAC") approved tax credit financing in May 2011 and July 2011 for these projects based upon these commitment letters (see enclosed). Both projects were also specifically identified in the RDA's enforceable obligation payment schedule ("EOPS"), which was disclosed to and approved by the DOF in August 2011 as "enforceable obligations" under Health and Safety Code section 34167. Nevertheless, according to Ms. Green, because the City funded these construction loans after June 27, 2011, the Successor Agency is not entitled to receive the full allocation of RPTTF funds to make the Bank of America payments listed on the ROPS.

While we acknowledge that a new definition of "enforceable obligation" went into effect on February 1, 2012 (Health and Safety Code section 34171(d)), which now excludes any payment obligations from the RDA to the City under the Cooperation Agreement going forward, it is unfathomable to understand how DOF can justify prohibiting loan payments owed to Bank of America on the grounds that the City's third party agreements were invalid during the period

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that the Cooperation Agreement was still in effect. The logic is not only flawed, but will certainly result in the breach of contractual and fiduciary duties to Bank of America, which will be difficult to unravel, once such a breach occurs.

In a similar vein, in accordance with Health and Safety Code section 33445 and 33679, the City and RDA entered into a Master Cooperation Agreement, dated September 1, 2010, pursuant to which the Agency agreed to transfer property tax revenues generated from the RDA's project areas to fund public improvements and affordable housing, including the affordable housing activities contemplated by the 2003 Cooperation Agreement. The RDA's funding obligation for this Master Cooperation Agreement was listed on its statements of indebtedness provided to the County Auditor-Controller and annual reports provided to the State Controller since 2010. The Master Cooperation Agreement was also listed on the RDA's EOPS, which was disclosed to and approved by the DOF in August 2011 as an "enforceable obligation" under Health and Safety Code section 34167.

In furtherance of the RDA's funding obligations under the Master Cooperation Agreement, the RDA entered into the Wells Fargo Loan Agreement and 2011 TABs. Both the Wells Fargo Loan Agreement and 2011 TABs specifically require the use of loan and bond proceeds to fulfill the RDA's obligations under the Master Cooperation Agreement. The City entered into third party agreements for public improvement projects during the period that the Master Cooperation Agreement was still in effect. A complete listing of these projects and copies of the third party contracts were provided to Ms. Green on May 10, 2012. As with the Bank of America Loan Agreement, Ms. Green and/or DOF appears to be taking the position that because the City funded these third party agreements after June 27, 2011, the Successor Agency is no longer entitled to receive any RPTTF funds to make the Wells Fargo Bank and TABs payments listed on the ROPS. Once again, this logic is not only flawed, but will certainly result in the breach of contractual and fiduciary duties to Wells Fargo Bank and the 2011 TABs bond holders, which will also be difficult to unravel, once such a breach occurs.

As explained, above, we are confident that the DOF will confirm our understanding that these assets were used in accordance with the law. More importantly, however, the use of these assets has no bearing on the enforceability of the 2011 TABs, the Wells Fargo Loan Agreement, or the Bank of America Loan Agreement. Indeed, any statutory construction of AB x126 that argues for forfeiture of payments to these undisputed creditors is likely to fail, regardless of how the proceeds were spent by the RDA or the City.

### III

**DOF's failure to authorize payments to undisputed creditors will result in default of these obligations and attachment of any residual property taxes generated under Health and Safety Code section 34183(a)(2)-(4), resulting in no residual payments to the affected taxing entities.**

Based upon prior verbal and e-mail correspondence recently issued by the DOF, it appears that the DOF is operating under the assumption that, to the extent that undisputed creditors are not paid, the County of Los Angeles can distribute the proceeds otherwise owed to these creditors to the various affected taxing entities. DOF also appears to assume that no significant adverse consequences will flow from such an action. But these assumptions are fundamentally wrong.

If payments are not made, a default will likely occur on each of the obligations listed above. These creditors can be expected to exercise their default rights under these loan agreements and bond indentures. Payment obligations totaling more than \$400 Million will be accelerated, and interest rates will be increased. These creditors will have the right and can be expected to attach any residual property tax payments under Health and Safety Code section 34183(a)(4), ahead of any subordinate creditors, including all of the affected taxing entities. Therefore, the denial of the above listed payments will inevitably result in litigation amongst the Successor Agency, DOF, institutional lenders, bond holders, and affected taxing entities. More immediately, the rejection of these payments will require the Successor Agency to notify these creditors of a "material adverse event" within five days of such an adverse determination, setting the stage for this inevitable litigation.

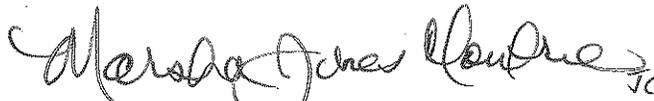
But there is even more. Defaults will have significant collateral consequences. Affordable housing developers, tax credit equity investors, title companies, bond holders, national banking institutions and the State itself will be harmed. The defaults triggered by DOF's denial of payments from the RPTTF will call into question the capacity of California to abide by its financial commitments. If DOF follows this path, the State and affected taxing entities can expect their borrowing costs to significantly increase, assuming anyone is willing to lend again. None of these outcomes bode well for the State's economy, especially as the State continues to struggle to emerge from the recession and ever-lower revenue projections. Financial chaos is not the desired outcome of ABx1 26.

For these reasons, we believe that it is in everyone's interest for DOF to reconsider its flawed analysis in light of the clear legislative intent in ABx1 26 to protect undisputed creditors. The obligations discussed above are ones which the State, and more particularly DOF, has historically recognized as enforceable obligations. Moreover, the DOF's analysis of the RDA's existing bonded indebtedness (which included all of the above referenced TABs) in August 2011

assumed the validity of the TABs, to determine the RDA's financial contribution under AB x1 27.

In closing, I send this letter in the sincere hope that we can facilitate DOF's proper analysis of the July – December 2012 ROPS without litigation, so that these undisputed creditors can be paid. Although we hope that the DOF will act prudently, please note that the City, acting in its capacity as the Successor Agency, does not waive any of its constitutional, statutory, legal, or equitable rights by issuance of this letter. The City expressly reserves any and all rights, privileges, and defenses available to it under all applicable law and legal principles.

Thank you for your consideration,

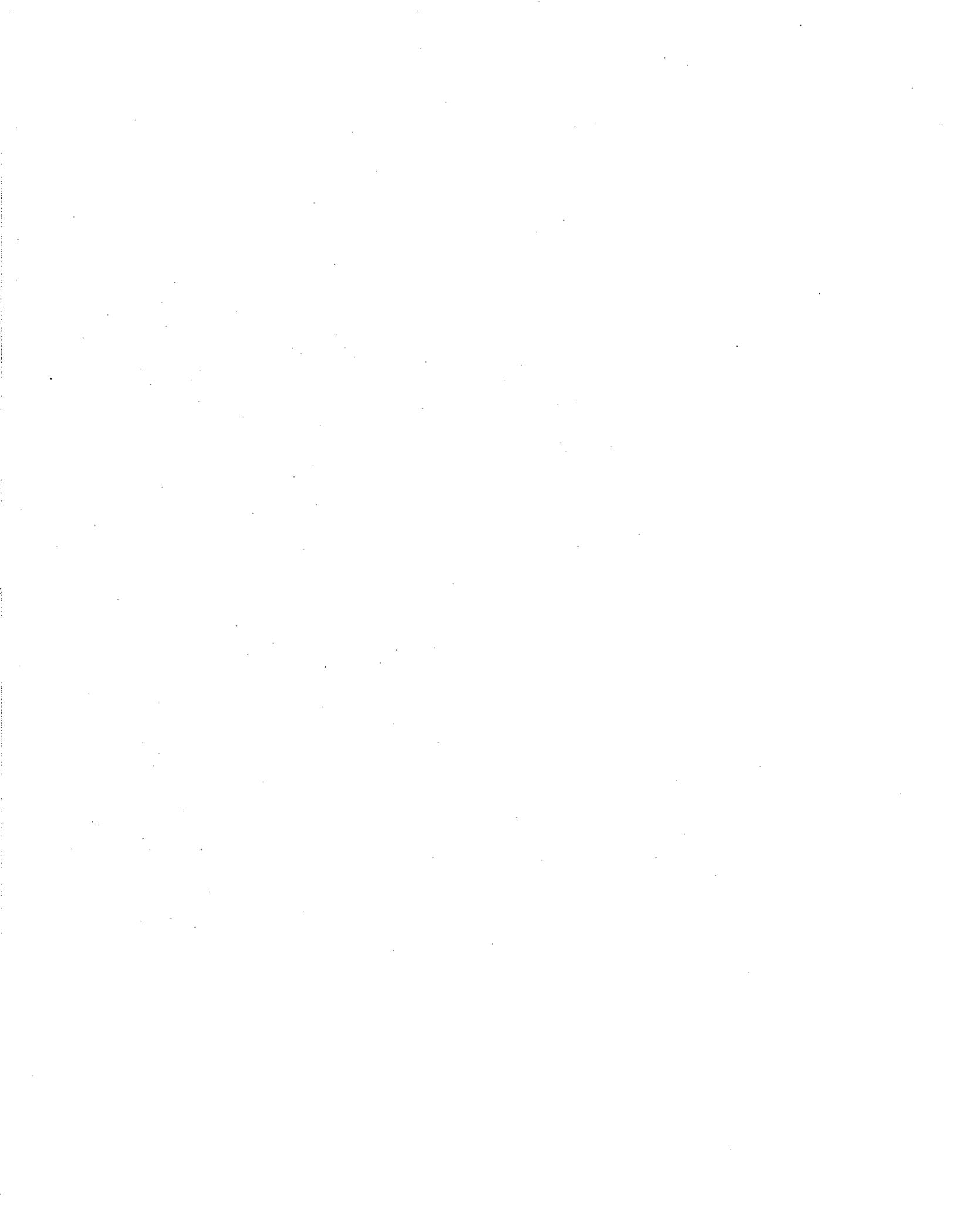


MARSHA JONES MOUTRIE  
City Attorney

MJM/bcm

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County  
Veronica Green, DOF Analyst  
Rod Gould, City Manager, City of Santa Monica  
Joseph Lawrence, Assistant City Attorney  
Andy Agle, Director of Housing and Economic Development, City of Santa Monica  
Gigi Decavalles, Finance Director, City of Santa Monica  
Susan Y. Cola, Deputy City Attorney, City of Santa Monica  
Murray O. Kane, Special Counsel, Kane Ballmer & Berkman

Enclosures





DEPARTMENT OF  
FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 11, 2012

Ms. Tina Rodriguez  
Administrative Services Officer  
City of Santa Monica  
1685 Main Street  
Santa Monica, CA 90401

Dear Ms. Rodriguez:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Santa Monica (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 26, 2012 for the period January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

The ROPS submitted to Finance for the period January through June 2012 is incomplete, and therefore, not approved for making obligation payments. The ROPS indicates that January 2012 payments have been made; however, payment amounts were not reported. The HSC section 34177 (l) (3) specifically states that the first ROPS shall be for the period of January 1, 2012 to June 30, 2012, inclusive. See the example provided in Exhibit 6 of [http://www.dof.ca.gov/assembly\\_bills\\_26-27/view.php](http://www.dof.ca.gov/assembly_bills_26-27/view.php). Please resubmit a revised board-approved ROPS for the period January through June 2012 and submit to the following email address:

Redevelopment\_Administration@dof.ca.gov

In addition, for the July through December 2012 ROPS, the City has requested and Finance has approved an extension to allow Finance ample time to review supporting documents submitted. Based on review of the ROPS, we noted the following items that should be corrected:

- Items 1 through 3, 5 through 10, and 13 through 17 indicate RORF as the source of funds for these obligations. HSC section 34177 (l) (1) require specific sources of payment for each obligation on the ROPS to be identified. The ROPS shall identify one or more of the following sources of payment:
  - Low and Moderate Income Housing Fund
  - Bond proceeds
  - Reserve balances
  - Administrative cost allowance

Ms. Rodriguez  
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Line items with multiple funding sources should specify an amount for each funding source.

- HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. We noted that line items 17 and 18 totaling \$1.1 million should be counted towards the administrative cap allowance.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County





STATE OF CALIFORNIA

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

915 CAPITOL MALL, ROOM 311  
SACRAMENTO, CA 95814  
TELEPHONE: (916) 653-3255  
FAX: (916) 653-6827  
www.treasurer.ca.gov/edlac

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*State Controller*

Sean L. Spear  
*Executive Director*

May 18, 2011

Tom Sweet  
Treasurer  
California Statewide Communities Development Authority  
1100 K Street, Suite 101  
Sacramento, CA 95814

**RE: RESOLUTION ATTESTING TO THE  
TRANSFER OF PRIVATE ACTIVITY BOND ALLOCATION**

Dear Mr. Sweet,

Enclosed is a copy of Resolution No. 11-66, adopted by the California Debt Limit Allocation Committee (the "Committee") on May 18, 2011, authorizing the California Statewide Communities Development Authority to use \$9,367,458 of its unused 2010 Carryforward Allocation, for the FAME Santa Monica Senior Apartments Project.

While your application was for a portion of the 2011 State Ceiling on Qualified Private Activity Bonds, because you had remaining carryforward allocation, the Committee decided to transfer some or all of that allocation to this Project. Resolution establishes the terms and conditions under which the allocation has been granted. Please read it carefully and keep a copy in your permanent files. You are advised to consult bond counsel regarding the making of a carryforward election pursuant to the rules of the Internal Revenue Service.

The following is additional information pertaining to the use of the allocation for this Project:

1. **Performance Deposit:** Pursuant to Section 5050 of the Committee's Regulations, the performance deposit certified in support of this project (\$46,837) is to remain on deposit until you receive written authorization from the Committee that it may be released. This written release will be provided once the Committee receives the "Report of Action Taken" form indicating that the allocation transferred was used for the issuance of bonds for the specific Project and the payment of the second installment of the CDLAC filing fee. The full amount of the deposit will be released upon the Committee's approval if at least 80% of the allocation is used for the issuance of bonds. If an amount less than 80% of the allocation is used to issue bonds, a proportionate amount of the deposit will be subject to forfeiture.

2. **Reporting of Issuance:** Enclosed is a "Report of Action Taken" form to be used to report the issuance of bonds pursuant to Section 9 of the Resolution.

3. **IRS Certification:** The IRS-required certification will be prepared and sent to bond counsel once the Committee receives the "Report of Action Taken" form.

Tom Sweet  
May 18, 2011  
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4. Second Installment of Filing Fee: Enclosed is an invoice for this Project. Please note that this is a change from past practice where the Committee's invoice for the second installment of the filing fee was sent with the IRS Certification after the Report of Action Taken. The Committee will no longer forward an invoice with the IRS Certification. The invoice attached herein should be considered final, due and payable upon the issuance of bonds.

5. Certification of Compliance: Enclosed is a Certification of Compliance to be submitted to the Committee annually on March 1st of each year on sponsor letterhead pursuant to Section 13 of the Resolution.

Please consult the Committee's Regulations for a full explanation of the use of allocation. Do not hesitate to contact me should you have questions.

Sincerely,



SEAN L. SPEAR  
Executive Director

Enclosures

cc: Caitlin Lanctot, California Statewide Communities Development Authority  
Thomas A. Downey, Esq., Orrick, Herrington & Sutcliffe LLP  
Gary Squier, FAME Santa Monica Senior Apartments, LP

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

RESOLUTION NO. 11-66

A RESOLUTION TRANSFERRING A PORTION OF THE 2011 STATE CEILING  
ON QUALIFIED PRIVATE ACTIVITY BONDS FOR A  
QUALIFIED RESIDENTIAL RENTAL PROJECT

WHEREAS, the California Debt Limit Allocation Committee ("Committee") has received an application ("Application") from the California Statewide Communities Development Authority ("Applicant") for the transfer to the Applicant of a portion of the 2011 State Ceiling on Qualified Private Activity Bonds under Section 146 of the internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations ("Bonds") for a Project as specifically described in Exhibit A ("Project") (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Regulations of the Committee implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds); and

WHEREAS, the Project Sponsor has represented and the Applicant has confirmed in the Application certain facts and information concerning the Project; and

WHEREAS, in evaluating the Project and allocating a portion of the State Ceiling on Qualified Private Activity Bonds to the Applicant for the benefit of the Project, the Committee has relied upon the written facts and information represented in the Application by the Project Sponsor and the Applicant; and

WHEREAS, previously the Committee transferred to the Applicant a portion of the 2010 State Ceiling on Private Activity Bonds for rental projects on a carryforward basis ("Carryforward Allocation"); and

WHEREAS, to fully utilize the remaining Carryforward Allocation, the Committee must approve its transfer to other projects with the same issuer; and

WHEREAS, it is appropriate for the Committee to make a transfer of a portion of the 2011 State Ceiling on Qualified Private Activity Bonds ("Allocation") in order to benefit such Project described in the Application and/or to authorize the transfer of remaining Carryforward Allocation to the Projects described in the Application; and

NOW, THEREFORE, the California Debt Limit Allocation Committee resolves as follows:

**Section 1.** There is hereby transferred to the Applicant authorization to use \$9,367,458 of its remaining 2010 Carryforward for the Project. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated herein as though set forth in full (this resolution, together with Exhibit A are hereafter referred to collectively as this "Resolution").

**Section 2.** The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds. The Project Sponsor and the Applicant, and all their respective successors and assignees, will be bound by such terms and conditions. The Applicant shall monitor the Project for compliance with the terms and conditions of this Resolution. In addition, the Project shall be subject to the monitoring provisions of California Code of Regulations, title 4, section 10337(c) and section 5220 of the Committee's Regulations.

**RESOLUTION NO. 11-66**

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**Section 3.** Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Committee's Regulations, shall require reconsideration by the Committee before the Allocation may be used for the Project. Once the Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Committee through an action for specific performance or any other available remedy. The Committee may consent to changes in the terms and conditions set forth in this Resolution as changed circumstances may dictate.

**Section 4.** Any material changes in the structure of the bond sale structure prior to the issuance of the Bonds and not previously approved by the Committee shall require approval of the Committee Chair or the Executive Director.

**Section 5.** The transfer of proceeds from the sale of bonds to a project other than the Project subject to this Resolution is allowable only with the prior approval of the Executive Director in consultation with the Chair, except when the Project is unable to utilize any of its allocation and the Applicant is requesting the transfer of the entire Allocation to different project(s). In such case, prior approval of the Committee must be obtained. Any transfer made pursuant to this section may only be made to another project of the same issuer that has been previously approved by the Committee.

**Section 6.** The Applicant is not authorized to use any Allocation transferred hereby from the 2011 State Ceiling to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer any Allocation or Carryforward Allocation to any governmental unit in the State other than this Committee.

**Section 7.** The Allocation transferred herein to the Applicant shall automatically revert to this Committee unless the Applicant has issued Bonds for the Project by the close of business on **August 16, 2011**. Upon the discretion of the Executive Director, the expiration may be extended pursuant to the provisions in Article 8, Chapter 1 of the Committee's Regulations.

**Section 8.** Within twenty-four (24) hours of using the Allocation to issue Qualified Private Activity Bonds, the Applicant shall notify the Committee by facsimile communication to the fax number listed in Section 5140 of the Committee's Regulations that the Allocation has been used. This facsimile notice shall identify the Applicant, the project or program, the date the Allocation and the Carryforward Allocation were used, and the amount of Allocation and Carryforward

**Section 9.** Within fifteen (15) calendar days of the Bond closing, the Applicant or its counsel shall formally transmit to the Committee information regarding the issuance of the Bonds by submitting a completed Report of Action Taken in a form prescribed by and made available by the Committee.

**Section 10.** Any differences between the amount of Bonds issued and the amount of the Allocation granted in Section 1 of this Resolution shall automatically revert to the Committee. If at any time prior to the expiration date set forth in Section 7 hereof the Applicant determines that part or all of the Allocation will not be used to issue Bonds by that date, the Applicant shall take prompt action by resolution of its governing Board or by action of its authorized officer to return such unused Allocation to the Committee. Any unused amount of the Carryforward Allocation authorized in Section 1 of the Resolution shall be retained by the Applicant for the period allowed by Section 146.f.3.A. of the Internal Revenue Code regarding carryforward elections. Use of any unused Carryforward Allocation shall be in accordance with Section 5132 of the Committee's Regulations regarding carryforward elections.

**Section 11.** The staff of the Committee is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain a copy of this Resolution in the Applicant's official records for the term of the Bonds under this Allocation or the term of the income and rental restrictions, whichever is longer. The Committee staff is further directed to retain a copy of this Resolution in the files of the Committee (or any successor thereto) for the same period of time.

**RESOLUTION NO. 11-66**

Page 3 of 3

**Section 12.** In consideration of the Allocation transferred to, and the Carryforward Allocation authorized for use by the Applicant and the Project Sponsor, the Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Committee through an action for specific performance or any other available remedy, provided however, that the Committee agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Committee is a third party beneficiary of the terms and conditions set forth in this Resolution.

**Section 13.** The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution annually on March 1<sup>st</sup> of each year or when reasonably requested by the Committee.

**Section 14.** This Resolution shall take effect immediately upon its adoption.

**CERTIFICATION**

I, SEAN L. SPEAR, Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Jesse Unruh Building, 915 Capitol Mall, Room 587, Sacramento, California 95814, on May 18, 2011 at 11:05 a.m. with the following votes recorded:

AYES: Bettina Redway for State Treasurer Bill Lockyer  
David O'Toole for State Controller John Chiang

NOES: None  
ABSTENTIONS: Todd Jerue for Governor Edmund G. Brown Jr.  
ABSENCES: None

  
SEAN L. SPEAR, Executive Director

Date: May 18, 2011

**RESOLUTION NO. 11-66**  
**(QUALIFIED RESIDENTIAL RENTAL PROJECT)**  
**EXHIBIT A**

1. Applicant: California Statewide Communities Development Authority
2. Application No.: 11-074
3. Project Sponsor: FAME Santa Monica Senior Apartments, L.P. (Squier Properties, LLC and FAME Santa Monica Apartments, LLC)
4. Project Name: FAME Santa Monica Senior Apartments
5. Type of Project: New Construction/Senior Citizens
6. Location: Santa Monica, CA
7. Private Placement Purchaser: Citibank, N.A. (construction) / California Community Reinvestment Corporation (permanent)
8. The Private Placement Purchaser at the time of issuance will be the same as represented in the application.  
**Applicable**
9. Total Number of Units: 47 plus 2 manager units
10. Total Number of Restricted Rental Units: 47
11. The term of the income and rental restrictions for the Project will be at least 55 years.
12. The Project will utilize Gross Rents as defined in Section 5170 of the Committee's Regulations.  
**Applicable**
13. Income and Rental Restrictions:  
For the entire term of the income and rental restrictions, the Project will have:  
  
At least 47 Qualified Residential units rented or held vacant for rental for persons or families whose income is at 50% or below of the Area Median Income.
14. For acquisition and rehabilitation projects, a minimum of \$10,000 in hard construction costs will be expended for each Project unit. **Not Applicable**
15. A minimum of \$11,475,000 of public funds will be expended for the Project. **Applicable**

**RESOLUTION NO. 11-66**

**Exhibit A**

Page 2 of 3

16. At a minimum, the financing for the Project shall include a Taxable Tail in the amount of \$0,000. Taxable debt may only be utilized for Project related expenses, not for the cost of issuance, for which the Project Sponsor could otherwise have used tax-exempt financing. **Not Applicable**
17. If the Project received points for having large family units, for the entire term of the income and rental restrictions, the Project will have at least three-bedroom or larger units. **Not Applicable**
18. For a period of ten (10) years after the Project is placed in use, the Project will provide to Project residents high-speed Internet or wireless (WiFi) service in each Project unit. **Applicable**
19. For a period of ten (10) years after the Project is placed in use, the Project will offer to Project residents an after school program of an ongoing nature on-site or there must be an after school program available to Project residents within 1/4 mile of the Project. **Not Applicable**
20. For a period of ten (10) years after the Project is placed in use, the Project will offer to Project residents educational classes on-site or there must be educational classes available to Project residents within 1/4 mile of the Project. **Applicable**
21. For a period of ten (10) years after the Project is placed in use, the Project will offer to Project residents 20 hours or more per week of licensed childcare on-site or there must be 20 hours or more per week of licensed childcare available to Project residents within 1/4 mile of the Project. **Not Applicable**
22. For a period of ten (10) years after the Project is placed in use, the Project will offer to Project residents contracts for services on-site or such service must be available to the Project residents within 1/4 mile of the Project. **Not Applicable**
23. For a period of ten (10) years after the Project is placed in use, the Project will offer to Project residents a bona fide service coordinator. **Applicable**
24. All projects that receive points for being a Federally Assisted At-Risk Project will renew all Section 8 HAP Contracts or equivalent Project-based subsidies for their full term, and will seek additional renewals, if available, throughout the Project's useful life. **Not Applicable**
25. All projects that receive points for being a Federally Assisted At-Risk Project based on an expiring Low Income Housing Tax Credit Regulatory Agreement or Tax-Exempt Bond Regulatory Agreement shall have a plan in place to re-certify the incomes of the existing tenants and shall not cause involuntary displacement of any tenant whose income may exceed the Project's income limits. **Not Applicable**
26. The project is a New Construction or Adaptive Reuse Project exceeding Title 24 Energy Standards by at least 10%. **Applicable**
27. The project commits to becoming certified under any one of the following programs upon completion: Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines. **Not Applicable**
28. The Project will incorporate the following energy efficient items:
  - a. Energy Star rated ceiling fans in all bedrooms and living rooms; or use of a whole house fan; or use of an economizer cycle on mechanically cooled HVAC systems. **Not Applicable**
  - b. Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less). **Applicable**

**RESOLUTION NO. 11-66**

**Exhibit A**

Page 3 of 3

- c. At least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit.  
**Applicable**
- d. Material for all cabinets, countertops and shelving that is free of added formaldehyde or fully sealed on all six (6) sides by laminates and/or a low-VOC primer or sealant (150 grams per liter or less).  
**Not Applicable**
- e. Interior paint with no volatile organic compounds. (5 grams per liter or less).  
**Not Applicable**
- f.CRI Green-label, low-VOC carpeting and pad and low-VOC adhesives 25 grams per liter or less.  
**Not Applicable**
- g. Bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor or timer. **Applicable**
- h. Formaldehyde-free insulation. **Not Applicable**
- i. At least one of the following recycled materials at the designated levels: a) cast-in-place concrete (20% flyash); b) carpet (25%); c) road base, fill or landscape amendments (30%).  
**Not Applicable**
- j. Design the elements to retain, infiltrate and/or treat on-site the first one-half (1/2) inch of rainfall in a 24-hour period. **Not Applicable**
- k. Inclusion of a construction indoor air quality management plan that requires the following: a) protection of construction materials from water damage during construction; b) capping of ducts during construction; c) cleaning of ducts upon completion of construction; and d) for rehabilitation Projects, implementation of a dust control plan that prevents particulates from migrating into occupied areas. **Not Applicable**
- l. The following design features in at least half of the Project's units: accessible routes of travel to the dwelling units with accessible 34" minimum clear-opening-width entry and interior doors with lever hardware and 42" minimum width hallways; accessible full bathroom on primary floor with 30" x 60" clearance parallel to the entry to 60" wide accessible showers with grab bars, anti-scald valves and lever faucet/shower handles, and reinforcement applied to walls around toilet for future grab bar installations; accessible kitchen with 30" x 48" clearance parallel to and centered on front of all major fixtures and appliances. **Not Applicable**
- m. Inclusion of no-smoking buildings or sections of buildings. To be eligible for an award pursuant to this subdivision, the no-smoking sections must consist of at least half the units within the building, and those units must be contiguous. **Not Applicable**
- n. An allocation of Historic Tax Credits as defined under 26 U.S.C. section 47(a).  
**Not Applicable**
- o. For rehabilitation Projects not subject to Title 24 Standards, use of florescent light fixtures for at least 75% of light fixtures or comparable energy saving lighting for the Project's total lighting (including community rooms and any common space) throughout the compliance period.  
**Not Applicable**

The following certification must be submitted by the Project Sponsor (on Project Sponsor letterhead) to the Applicant (Issuer) who will then forward it to the California Debt Limit Allocation Committee annually on March 1st (or at such other time as requested by the Committee).

CERTIFICATION OF COMPLIANCE

Project Name: FAME Santa Monica Senior Apartments  
Name of Bond Issuer: California Statewide Communities Development Authority  
CDLAC Application No.: 11-074

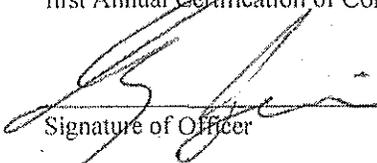
Pursuant to Section 13 of Resolution No. 11-66 (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on May 18, 2011, I, GARY SQUIER, an Officer of the Project Sponsor, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with all of the terms and conditions set forth in the Resolution.

I further certify that I have read and understand the CDLAC Resolution, which specifies that once the Bonds are issued, the terms and conditions set forth in the Resolution shall be enforceable by the Committee through an action for specific performance or any other available remedy.

Please check or write N/A to the items list below:

The project is currently in the Construction or Rehabilitation phase.

The project received points for exceeding Title 24 by 10% or reducing energy use by 25% (Acquisition and Rehabilitation Projects). I have attached an Energy Performance Certificate approved by the Energy Commission with my first Annual Certification of Compliance.

  
Signature of Officer

June 6, 2011  
Date

GARY SQUIER  
Printed Name of Officer

General Partner  
Title of Officer

STATE OF CALIFORNIA  
CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
ACCOUNTING SERVICES  
915 Capitol Mall, Room 311  
Sacramento, CA 95814  
(916) 653-3255

FILING FEE INVOICE

PAYMENT IS DUE WITHIN 30 DAYS OF BOND CLOSING

Date: May 18, 2011

Invoice No.: FY 10-1178  
Application No.: 11-074  
Analyst Initials: CA

To: Caitlin Lanctot  
Program Manager  
California Statewide Communities Development Authority  
2033 North Main Street, Suite 700  
Walnut Creek, CA 94596

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2<sup>nd</sup> Installment of fee levied pursuant to Section 8869.90 of the California Government Code:

NAME OF ISSUER: California Statewide Communities Development Authority

NAME OF PROJECT OR PROGRAM: FAME Santa Monica Senior Apartments

ALLOCATION AWARD DATE: May 18, 2011

ALLOCATION AWARD AMOUNT: \$9,367,458

<u>AMOUNT DUE:</u>	Allocation award x .00035	=	\$	3,278.61
	Less initial application fee	=	-\$	600.00
	Amount Due	=	\$	2,678.61

Issuer or bond trustee to complete the following (please use ink):

BOND ISSUANCE DATE:

PRINCIPAL AMOUNT OF BOND ISSUE: \$

AMOUNT OF BOND ALLOCATION USED: \$

The application fee is based on the amount of allocation used to issue bonds. Please complete the following *only if* the amount of allocation used is less than the amount of allocation awarded, and remit the *revised* amount due.

<u>REVISED AMOUNT DUE:</u>	Amount issued x .00035	=	\$	
	Less initial application fee	=	-\$	600.00
	Revised Amount Due	=	\$	

PLEASE WRITE APPLICATION NUMBER ON YOUR CHECK, OR  
RETURN A COPY OF THIS INVOICE WITH YOUR PAYMENT.



STATE OF CALIFORNIA

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



William J. Pavão  
*Executive Director*

**MEMBERS:**

Bill Lockyer, Chair  
*State Treasurer*

Ana J. Matosantos, Director  
*Department of Finance*

John Chiang  
*State Controller*

**Tax Exempt  
Reservation Letter**

May 18, 2011

Mr. Gary Squier  
FAME Santa Monica Senior Apartments, L.P.  
3129 6th Street  
Santa Monica, CA 90404

RE: CA-2011-831 / FAME Santa Monica Senior Apartments  
1924/1930 Euclid Street, 1753 18th Street, 1754 19th Street  
Santa Monica, CA 90404

Dear Mr. Squier:

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:

\$506,554 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 \$15,667,481 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 31<sup>st</sup> of the year following the year the project received its reservation of Tax Credits for rehabilitation projects, or by December 31<sup>st</sup> 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) a revised application form 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, stating the percentage of aggregate basis (including land) financed by tax-exempt bonds;
- (7) a detailed explanation of any significant discrepancies between initial projected line-item development costs and certified costs;
- (8) copies of recorded deeds 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) photographs of the completed building(s) and facilities/amenities (play areas, community rooms, laundry room, etc.);
- (13) a copy of the executed partnership agreement with the investor;
- (14) a completed Project Ownership Profile;
- (15) a certification from the applicant that all the minimum construction standards of Section 10325(f)(7) or 10326(g)(6) have either been met or waived;
- (16) a description of any charges that may be paid by tenants in addition to rent, with an explanation of how such charges affect eligible basis;

- (17) a list of all physical amenities and service amenities provided at the project site. If the list differs from that submitted at application, an explanation must be provided;
- (18) if seeking a reduction in the operating expenses used in the Committee's final underwriting pursuant to Section 10327(g)(1) of these regulations, provide evidence from the equity investor and permanent lender that they have agreed to the lesser operating expenses;
- (19) applicants that received energy efficiency points must provide certification from the project's architect or mechanical engineer that the project has utilized materials that will increase energy efficiency by at least 15% above the Title 24 energy standards for new construction and by 25% for rehabilitation projects under Section 10325(c)(6). Projects receiving points under this category that fail to meet the requirement will be subject to negative points under Section 10325(c)(3);
- (20) a certification from both the applicant and the project architect as to the sustainable building methods and energy efficiency/resource conservation/indoor air-quality/environmental items included in the project under Sections 10325(c)(6) and 10327(c)(5)(B), respectively;
- (21) a certification from the project architect that the physical buildings are in compliance with all applicable building codes and applicable fair housing laws;
- (22) a certification from the project architect that the project is eligible for the increases to the threshold basis limits (exceptions to limits) received at preliminary application pursuant to Section 10327(c)(5), if applicable;
- (23) a certification that the physical space for service amenities exists, is completed 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.
- (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. 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. If elected, the TCAC election form on our website (<http://www.treasurer.ca.gov/ctcac/in-service/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 June 7, 2011, the owner must provide a cashier's check made out to the Committee in the amount of \$5,066, which is the reservation fee required for this project. The reservation fee is not refundable.

Tax Exempt Reservation Letter  
May 18, 2011  
CA-2011-831/FAME Santa Monica Senior Apartments

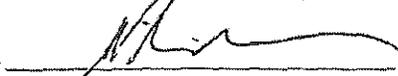
By accepting this Reservation, the owner understands and accepts the risks that the U.S. Congress, U.S. Department of the Treasury or the State of California may change the requirements for the award of tax credits by subsequent enactment of law or regulation. The owner further acknowledges that it has 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. June 7, 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 18th day of May, 2011.

By:   
William J. Pavão  
Executive Director

Accepted this 2nd day of June, 2011.

By:   
(signature)  
GARY SQUIER  
(type or print name)  
GA  
(type or print title)



**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*

**MEMBERS:**

Bill Lockyer, Chair  
*State Treasurer*

Ana J. Matosantos, Director  
*Department of Finance*

John Chiang  
*State Controller*

**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 31<sup>st</sup> of the year following the year the project received its reservation of Tax Credits for rehabilitation projects, or by December 31<sup>st</sup> 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. 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. If elected, the TCAC election form on our website (<http://www.treasurer.ca.gov/ctcac/in-service/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 not refundable.

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.

Tax Exempt Reservation Letter  
July 20, 2011  
CA-2011-834/High Place West

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 20<sup>th</sup> 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

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
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  


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 47 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>
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**

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

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
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
<b>TOTAL</b>	<b>\$24,606,439</b>

**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**  
**\$818,946**

**State Tax Credits/Total**  
**\$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.