STATE OF CALIFORNIA
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
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Executive Director

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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 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) 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/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 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.

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 _____ day of _____, 2011.

By: _____
(signature)

_____
(type or print name)

_____
(type or print title)