

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
November 16, 2011
REVISED**

Project Number CA-2011-800

Project Name One Santa Fe
Site Address: 100-300 South Santa Fe Avenue
Los Angeles, CA 90012 **County:** Los Angeles
Census Tract: 2060.400

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$850,438	\$0
Recommended:	\$850,438	\$0

Applicant Information

Applicant: One Santa Fe, LLC
Contact: Charles F. Cowley III
Address: 9766 Wilshire Boulevard, Suite 100
Beverly Hills, CA 90212
Phone: 310-777-8787 **Fax:** 310-777-8799
Email: ChuckC@TheMcGregorCo.com

General partner(s) or principal owner(s): One Santa Fe PMC, LLC
General Partner Type: For Profit
Developer: One Santa Fe, LLC
Investor/Consultant: Goldman Sachs Bank USA
Management Agent: The McGregor Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 438
No. & % of Tax Credit Units: 88 20%
Federal Set-Aside Elected: 20%/50%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 88

Bond Information

Issuer: CalHFA
Expected Date of Issuance: December 15, 2011
Credit Enhancement: Risk Share

Information

Housing Type: Non-targeted
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

47 SRO/Studio Units
 254 1-Bedroom Units
 137 2-Bedroom Units

 438 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 SRO/Studio	50%	49%	\$725
51 1 Bedroom	50%	48%	\$776
27 2 Bedrooms	50%	48%	\$932
37 SRO/Studio	Market Rate	Market Rate	\$1,439
197 1 Bedroom	Market Rate	Market Rate	\$1,670
110 2 Bedrooms	Market Rate	Market Rate	\$2,235
6 1 Bedroom	Manager's Unit	Manager's Unit	\$1,670

Project Financing

Estimated Total Project Cost:	\$154,995,498	Residential	
Estimated Residential Project Cost:	\$116,310,914	Construction Cost Per Square Foot:	\$138
Estimated Commercial Project Cost	\$38,684,584	Per Unit Cost:	\$265,550

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CalHFA - Tax Exempt Bonds	\$86,000,000	CalHFA - Tax Exempt Bonds	\$86,000,000
LACDD - Commercial Loan	\$14,630,000	LACDD - Commercial Loan	\$14,630,000
CRA/LA	\$4,000,000	CRA/LA	\$4,000,000
LAHD	\$4,200,000	LAHD	\$4,200,000
Developer Equity	\$28,431,556	Developer Equity	\$28,431,556
New Market Tax Credit Equity	\$10,080,000	New Market Tax Credit Equity	\$10,080,000
Tax Credit Equity	\$7,653,942	Tax Credit Equity	\$7,653,942
		TOTAL	\$154,995,498

Determination of Credit Amount(s)

Requested Eligible Basis:	\$111,196,383
130% High Cost Adjustment:	Yes
Applicable Fraction (based on square footage):	17.30%
Qualified Basis:	\$25,012,882
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$850,438
Approved Developer Fee in Project Cost (Residential):	\$2,500,000
Approved Developer Fee in Eligible Basis (Residential):	\$2,500,000
Approved Developer Fee in Project Cost (Commercial):	\$1,537,296
Investor/Consultant:	Goldman Sachs Bank USA
Federal Tax Credit Factor:	\$0.90000

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:	\$111,196,383
Actual Eligible Basis:	\$111,196,383
Unadjusted Threshold Basis Limit:	\$89,390,670
Total Adjusted Threshold Basis Limit:	\$140,343,352

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 – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

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: The residential tenants will not be charged for parking and they will have at a minimum 1 assigned parking space per unit. The remaining parking spaces will be available on a first come, first serve basis and will not be reserved to any specific tenant/unit. The project will control access to the parking garage to ensure sufficient parking for the residential tenants.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Los Angeles Housing Department, has completed a site review of this project and supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$850,438	\$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: The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: 1) water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less); 2) interior paint with no volatile organic compounds (5 grams per liter or less); 3) inclusion of non-smoking buildings or sections of buildings, with the non-smoking sections consisting of at least half of the units within the building and the units must be contiguous.