

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report

### 2021 Second Round

June 16, 2021

6th Street Grand, located at 112, 114, 121, 124, 128 and 132 South 6th Street in Montebello, requested \$2,140,815 in annual federal tax credits and \$7,136,049 in total state tax credits but is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$3,117,669 in total state tax credits (See "**Significant Information / Additional Conditions**" below) to finance the new construction of 62 units of housing serving special needs tenants and large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Cesar Chavez Foundation and will be located in Senate District 32 and Assembly District 58.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

<b>Project Number</b>	CA-21-026	
<b>Project Name</b>	6th Street Grand	
Site Address:	112, 114, 121, 124, 128 and 132 South 6th Street Montebello, CA 90640	
Census Tract:	5321.010	County: Los Angeles
<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,140,815	\$7,136,049
Recommended:	\$2,500,000	\$3,117,669

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

#### Applicant Information

Applicant:	Vista del Monte Affordable Housing, Inc.
Contact:	Alfredo R. Izmajtovich
Address:	316 W. 2nd Street Suite 600 Los Angeles, CA 90012
Phone:	213-362-0260
Email:	alfredoi@chavezfoundation.org
General Partner(s) / Principal Owner(s):	Vista del Monte Affordable Housing, Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	Cesar Chavez Foundation
Developer:	Cesar Chavez Foundation
Investor/Consultant:	Boston Financial
Management Agent(s):	Hyder & Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 63  
 No. & % of Tax Credit Units: 62 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (31 Units - 50%)

**Information**

Set-Aside: Nonprofit (homeless assistance)  
 Housing Type: Special Needs and Large Family  
 Type of Special Needs: Homeless and Formerly Homeless  
 Average Targeted Affordability of Special Needs/SRO Project Units: 48.87%  
 % of Special Need Units: 31 units 50.00%  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Ruben Barcelo

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	19	30%
At or Below 50% AMI:	12	15%
At or Below 60% AMI:	31	50%

**Unit Mix**

27 1-Bedroom Units
16 2-Bedroom Units
20 3-BedroomUnits
<b>63 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2020 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
13 1 Bedroom	30%	\$634
12 1 Bedroom	50%	\$634
2 1 Bedroom	60%	\$1,267
3 2 Bedrooms	30%	\$760
13 2 Bedrooms	60%	\$1,520
3 3 Bedrooms	30%	\$878
16 3 Bedrooms	60%	\$1,757
1 3 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$4,119,782
Construction Costs	\$25,238,652
Rehabilitation Costs	\$0
Construction Contingency	\$1,521,825
Relocation	\$110,600
Architectural/Engineering	\$917,654
Const. Interest, Perm. Financing	\$2,377,440
Legal Fees	\$292,805
Reserves	\$285,409
Other Costs	\$1,971,382
Developer Fee	\$2,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$38,835,549</b>

**Residential**

Construction Cost Per Square Foot:	\$469
Per Unit Cost:	\$616,437
True Cash Per Unit Cost*:	\$564,112

**Construction Financing**

Source	Amount
JPMorgan Chase Bank	\$28,437,135
City of Montebello Land Loan	\$3,280,000
City of Montebello Impact Fee Loan	\$265,000
Deferred Fees & Costs	\$1,880,086
Tax Credit Equity	\$4,973,328

**Permanent Financing**

Source	Amount
JPMorgan Chase Bank	\$8,407,426
LACDA / AHTF	\$2,000,000
City of Montebello Land Loan	\$3,280,000
City of Montebello Impact Fee Loan	\$265,000
Deferred Develop Fee	\$16,485
Tax Credit Equity	\$24,866,638
<b>TOTAL</b>	<b>\$38,835,549</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$23,786,830
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$23,786,830
Applicable Rate:	9.00%
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$3,117,669
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,000,000
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.89491
State Tax Credit Factor:	\$0.79992

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

#### **Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>29.843%</b>

#### **Significant Information / Additional Conditions**

The estimated cost of the project is \$564,000 per unit. Factors driving this cost include the escalating cost of construction materials in Los Angeles, a requirement to pay prevailing wages, a requirement to provide subterranean parking and elevators, and additional community space and unit furnishings required for a special needs project.

The application included a basis reduction but did not maximize basis related to federal credits. TCAC Regulation Section 10317(c) permits TCAC staff to revise an application’s federal and state credit request when basis is reduced for reasons other than permitted. The annual federal credit amount was adjusted to \$2,500,000, and reduced the total state credit to \$3,117,669.

The project is committed to providing the required service amenity hours at the project site, per TCAC Regulations Section 10325(c)(4)(B).

**Resyndication and Resyndication Transfer Event:** None.

#### **Local Reviewing Agency**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

#### **Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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 a performance deposit and 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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>10</b>	<b>10</b>	<b>10</b>
General Partner Experience	7	7	7
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>SPECIAL NEEDS HOUSING TYPE</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>109</b>	<b>109</b>	<b>109</b>

**Please Note:** If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**