

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2022 Second Round
September 28, 2022**

The project, 6th Street Grand, located at 112 - 132 South 6th Street in Montebello, requested \$2,297,880 in annual federal tax credits and \$7,659,600 in total state tax credits, but is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$5,239,479 in total state tax credits to finance the new construction of 62 units of housing serving families and homeless tenants 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.

The project financing includes state funding from the No Place Like Home Infill Infrastructure Grant (IIG) program of HCD.

Project Number CA-22-045

Project Name 6th Street Grand
Site Address: 112 - 132 South 6th Street
Montebello, CA 90640
County: Los Angeles
Census Tract: 5321.010

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,297,880	\$7,659,600
Recommended:	\$2,500,000	\$5,239,479

Applicant Information

Applicant: Vista del Monte Affordable Housing, Inc.
Contact: Alfredo R. Izmajtovich
Address: 555 N. Broadway, Unit B103
Los Angeles, CA 90012
Phone: 213-362-0260
Email: alfredo@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
Cesar Chavez Foundation

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 Vouchers (31 - 50%)

Information

Set-Aside: Nonprofit (homeless assistance)
Housing Type: Special Needs Large Family
Type of Special Needs: Homeless Assistance
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
CTCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
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-Bedroom Units

63 Total Units

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 1 Bedroom	30%	\$670
12 1 Bedroom	50%	\$670
2 1 Bedroom	60%	\$1,340
3 2 Bedrooms	30%	\$804
13 2 Bedrooms	60%	\$1,608
3 3 Bedrooms	30%	\$929
16 3 Bedrooms	60%	\$1,858
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,914,782
Construction Costs	\$26,700,077
Rehabilitation Costs	\$0
Construction Contingency	\$1,635,222
Relocation	\$0
Architectural/Engineering	\$1,281,000
Const. Interest, Perm. Financing	\$3,052,761
Legal Fees	\$245,000
Reserves	\$561,299
Other Costs	\$4,199,430
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$43,589,571

Residential

Construction Cost Per Square Foot:	\$496
Per Unit Cost:	\$691,898
True Cash Per Unit Cost*:	\$690,757

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JPMorgan Chase Bank / Const Loan	\$27,712,573	JP Morgan Chase Bank / Perm Loan	\$7,063,340
San Gabriel Valley Regional Housing Trust	\$700,000	San Gabriel Valley Regional Housing Trust	\$1,200,000
City of Montebello Land Note Loan	\$3,075,000	City of Montebello Land Note Loan	\$3,075,000
HCD-Infill Infrastructure (IIG)	\$2,500,000	LACDA / AHTF	\$2,000,000
City of Montebello Fee Loan	\$950,000	HCD-Infill Infrastructure (IIG)	\$2,500,000
Deferred Fees & Costs	\$633,199	City of Montebello Fee Loan	\$950,000
Boston Financial / Equity	\$8,018,799	Deferred Developer Fee	\$71,900
		Tax Credit Equity	\$26,729,331
		TOTAL	\$43,589,571

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

** Los Angeles County Development Agency - Affordable Housing Trust Fund loan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$36,586,087
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$36,586,087
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$5,239,479
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,000,000
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.90991
State Tax Credit Factor:	\$0.75992

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:	Special Needs
Self-Score Final:	47.388%
CTCAC Final:	43.582%

Significant Information / Additional Conditions

Per Section 10317(c) of the CTCAC Regulations, staff have adjusted the amount of federal and state tax credits after determining that the voluntary reduction did not meet the requirements and removed it from the application. This has resulted in an increase in the amount of annual federal state credits, and a reduction of total state tax credits.

The utility allowances for this project include a component for water. All projects that charge for the water service must be sub-metered and the tenants must be billed separately for their water usage by a third party company. Sub-metering the water service and direct billing of the tenants by a third party company must follow certain IRS rules in order to be in compliance. In conjunction with the IRS rules, prior to the issuance of the IRS 8609 forms, CTCAC will need to confirm that the water service and tenant billing have been implemented correctly. In addition, the CTCAC Compliance Section will require specific information regarding the master water bill and each tenant's water usage and water bill when they inspect the project.

Staff noted the hard cost contingency, as reflected in the project's Application Sources & Uses table, exceeds 10% of the project's total hard construction costs.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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

All fees charged to the project must be within CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
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
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
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
SPECIAL NEEDS HOUSING TYPE			
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
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	109	109	109

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.