CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 6, 2023

Two Worlds Apartments, located at in Los Angeles, requested and is being recommended for a reservation of $0 in annual federal tax credits to finance the acquisition & rehabilitation of 93 units of housing serving tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Two Worlds Developer Limited Partnership and is located in Senate District 28 and Assembly District 57.

Two Worlds Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Two Worlds Apartments (CA-2007-198). See Resyndication and Resyndication Transfer Event below for additional information.

Project Number CA-23-656

Project Name Two Worlds Apartments

Site Address:

Site 1
1306 South Westlake Avenue
Los Angeles CA 90007
County: Los Angeles
Census Tract: 2243.10

Site 2
809 West 23rd Street
Los Angeles CA 90037
County: Los Angeles
Census Tract: 2244.20

Site 3
2625 South Harvard Bouvard
Los Angeles CA 90044
County: Los Angeles
Census Tract: 2222.00

Site 4
1048-1054 West 42nd Street
Los Angeles CA 90062
County: Los Angeles
Census Tract: 2316.03

Site 5
4807 South Gramercy Place
Los Angeles CA 90018
County: Los Angeles
Census Tract: 2324.02

Site 6
8640 Denver Avenue
Los Angles CA 90006
County: Los Angeles
Census Tract: 2403.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$1,184,926	$0
Recommended:	$1,253,150	$0

Applicant Information

Applicant:	Two Worlds II Preservation Limited Partnership
Contact:	Charles Treatch
Address:	601 Cypress Ave Ste 302 Hermosa Beach, CA 90254
Phone:	(310) 802-6681
Email:	chuck@preservationpartners.org

General Partner(s) or Principal Owner(s):	Two Worlds II Preservation Partners LLC Cornucopia Services
General Partner Type:	Joint Venture
Parent Company(ies):	Two Worlds II Preservation Partners LLC Cornucopia Services
Developer:	Two Worlds Developer Limited Partnership
Bond Issuer:	CSCDA
Investor/Consultant:	Candeur Group LLC
Management Agent:	FPI Management

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	16	
Total # of Units:	96	
No. / % of Low Income Units:	93	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax Exempt / HUD Section 8 Project-based Contacts (96 Units - 100%)	

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
CTCAC Project Analyst:	Nick White

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	14	15%
40% AMI:	19	20%
45% AMI:	13	14%
50% AMI:	47	51%

Unit Mix

67	SRO/Studio Units
19	1-Bedroom Units
10	2-Bedroom Units
96	Total Units

Unit Type & Number		2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
5	SRO/Studio	30%	$625
12	SRO/Studio	40%	$834
12	SRO/Studio	45%	$938
20	SRO/Studio	50%	$1,042
3	SRO/Studio	50%	$1,042
13	SRO/Studio	50%	$1,042
9	1 Bedroom	30%	$670
4	1 Bedroom	40%	$893
3	1 Bedroom	40%	$893
1	1 Bedroom	45%	$1,005
2	1 Bedroom	50%	$1,116
1	2 Bedrooms	50%	$1,340
8	2 Bedrooms	50%	$1,340
2	SRO/Studio	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$17,700,000
Construction Costs	$0
Rehabilitation Costs	$5,653,356
Construction Hard Cost Contingency	$565,336
Soft Cost Contingency	$200,000
Relocation	$380,800
Architectural/Engineering	$400,000
Const. Interest, Perm. Financing	$1,545,430
Legal Fees	$617,500
Reserves	$435,314
Other Costs	$708,943
Developer Fee	$2,025,049
Commercial Costs	$0
Total	**$30,231,728**

Residential	
Construction Cost Per Square Foot:	$105
Per Unit Cost:	$314,914
True Cash Per Unit Cost*:	$308,528

Construction Financing

Source	Amount
Lument Tax-Exempt	$13,660,000
Seller Note	$2,140,000
Seller Note- Taxable	$2,859,167
Net Operating Income	$742,599
General Partner Equity	$613,037
Deferred Developer Fee	$989,380
Tax Credit Equity	$8,630,323

Permanent Financing

Source	Amount
Lument Tax-Exempt	$13,660,000
Seller Note - Tax Exempt	$2,140,000
Seller Note- Taxable	$2,158,237
Net Operating Income	$742,599
General Partner Equity	$613,037
Tax Credit Equity	$10,917,855
TOTAL	**$30,231,728**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,998,806
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$17,220,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,451,349
Qualified Basis (Acquisition):	$17,220,000
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	$564,350
Maximum Annual Federal Credit, Acquisition:	$688,800
Total Maximum Annual Federal Credit:	$1,253,150
Approved Developer Fee in Project Cost:	$2,025,049
Approved Developer Fee in Eligible Basis:	$2,025,049
Investor/Consultant:	Candeur Group LLC
Federal Tax Credit Factor:	$0.92140

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions

This project involves the substantial rehabilitation of 6 scattered-site buildings most recently renovated in 2008 in the city of Los Angeles.

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain CTCAC's consent to assign and assume the existing Regulatory Agreement (CA-07-198). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-07-198) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on CTCAC staff’s review of the commitment in the application. The services documented in the placed in service package will be reviewed by CTCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required

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.

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 reservation 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 fees.

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.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).