

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2024 First Round

May 15, 2024

MCA#3 Apartments, located at 3940 Gibraltar Avenue in Los Angeles, requested and is being recommended for a reservation of \$707,022 in annual federal tax credits and \$2,335,651 in total state tax credits to finance the acquisition and rehabilitation of 19 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 28 and Assembly District 55.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-24-055

Project Name MCA#3 Apartments
Site Address: 3940 Gibraltar Avenue
Los Angeles, CA 90008
County: Los Angeles
Census Tract: 2362.06

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$707,022	\$2,335,651
Recommended:	\$707,022	\$2,335,651

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: MCA#3 Community Partners, LP
Contact: Seth Gellis
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: 949-278-3658
Email: sgellis@cpc-housing.com

General Partner(s) / Principal Owner(s): CPP - MCA#3 GP, LLC
FFAH V 3940 Gibraltar Avenue, LLC

General Partner Type: Joint Venture

Parent Company(ies): WNC Development Partners 4, LLC
Foundation for Affordable Housing V, Inc

Developer: Community Preservation Partners, LLC

Investor/Consultant: WNC & Associates, Inc

Management Agent(s): FPI Management Corporation

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 20
 No. & % of Tax Credit Units: 19 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (20 Units - 100%)

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: City of Los Angeles
 CTCAC Project Analyst: Sopida Steinwert

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:	3	15%
At or Below 40% AMI:	3	15%
At or Below 50% AMI:	5	25%
At or Below 60% AMI:	8	40%

Unit Mix

12 1-Bedroom Units
8 2-Bedroom Units
 20 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 2 Bedrooms	30%	\$851
2 1 Bedroom	30%	\$709
2 2 Bedrooms	40%	\$1,135
1 1 Bedroom	40%	\$946
2 2 Bedrooms	50%	\$1,418
3 1 Bedroom	50%	\$1,182
3 2 Bedrooms	60%	\$1,702
5 1 Bedroom	60%	\$1,419
1 1 Bedroom	Manager's Unit	\$2,820

Project Cost Summary at Application

Land and Acquisition	\$7,270,000
Rehabilitation Costs	\$2,791,200
Construction Contingency	\$429,120
Relocation	\$40,000
Architectural/Engineering	\$176,000
Const. Interest, Perm. Financing	\$1,110,776
Legal Fees	\$162,500
Reserves	\$139,000
Other Costs	\$245,981
Developer Fee	\$961,782
Total	\$13,326,359

Residential

Construction Cost Per Square Foot:	\$171
Per Unit Cost:	\$666,318
True Cash Per Unit Cost*:	\$655,195

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$10,611,043
Net Operating Income	\$354,667
Deferred Developer Fee	\$751,802
Tax Credit Equity	\$1,608,847

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$4,705,000
Net Operating Income	\$354,667
Deferred Developer Fee	\$222,458
Tax Credit Equity	\$8,044,234
TOTAL	\$13,326,359

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,155,823
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$6,074,941
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,155,823
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$6,074,941
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$464,024
Maximum Annual Federal Credit, Acquisition:	\$242,998
Total Maximum Annual Federal Credit:	\$707,022
Total State Credit:	\$2,335,651
Approved Developer Fee (in Project Cost & Eligible Basis):	\$961,782
Investor/Consultant:	WNC & Associates, Inc
Federal Tax Credit Factor:	\$0.89000
State Tax Credit Factor:	\$0.75000

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:	At-Risk
Self-Score Final:	26.481%
CTCAC Final:	26.481%

Significant Information / Additional Conditions

Staff noted a per unit development cost of \$655,195. The applicant noted that the per unit cost is attributed to the small unit count (20 units) and the scope of work required to complete renovations, as well as costs for legal counsel, lender fees, thirty party reports, and other soft costs.

The applicant requested and received a waiver to reduce the 10% mobility feature requirement under CTCAC Regulation Section 10325(f)(7)(K) to 0% due to it being impractical / undue financial burden. However, the project will provide 2 enhanced units which will include an accessible lavatory, accessible toilet, and backing for grab bars. The project must still provide at least 4% of the units with communications features that meet the requirements of Chapter 11(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.

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 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.

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 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 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 42 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
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
Smoke Free Residence	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.