

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE  
Project Staff Report  
Qualified Private Activity Tax-Exempt Bond Project  
August 6, 2024**

Costa Mesa M6, located at 2274 Newport Boulevard in Costa Mesa on a 1.17 acre site, requested and is being recommended for a reservation of \$1,904,479 in annual federal tax credits and \$23,185,979 of tax-exempt bond cap to finance the adaptive reuse of 87 units of housing, consisting of 86 restricted rental units, and 1 unrestricted manager's unit. The project has 86 studio units, and 1 two-bedroom unit, serving tenants with rents affordable to households earning 30%-50% of area median income (AMI). The building will be four 2-story buildings and Type V-A construction with wood frame and stucco exterior. Common amenities include laundry rooms, community TV lounge and game room, computer business center, dog park, community room with demonstration & warming kitchen, podium deck, fitness room, bicycle parking and storage, community garden, on-site property management office and on-site supportive services providers. Each unit will have refrigerator, range/oven, microwave. The rehabilitation is expected to begin in December 2024 and be completed in January 2026. The project will be developed by Community Development Partners and is located in Senate District 37 and Assembly District 73.

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

**Project Number** CA-24-511

**Project Name** Costa Mesa M6  
Site Address: 2274 Newport Boulevard  
Costa Mesa , CA 92627  
County: Orange  
Census Tract: 632.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,904,479	\$0
Recommended:	\$1,904,479	\$0

**Tax-Exempt Bond Allocation**  
Recommended: \$23,185,979

**CTCAC Applicant Information**  
CTCAC Applicant / CDLAC Sponsor: Costa Mesa M6 LP  
Contact: Teresa Pakalski  
Address: 3416 Via Oporto, Ste 301  
Newport Beach, CA 92663  
Phone: 262-4903939  
Email: teresa@communitydevpartners.com

**Bond Financing Information**  
CDLAC Applicant/Bond Issuer: California Statewide Communities Development Authority  
Bond Counsel: Orrick, Herrington & Sutcliffe LLP  
Private Placement Purchaser: Citibank, N.A.

**Development Team**

General Partner(s) or Principal Owner(s): CDP Costa Mesa M6 LLC  
 CM Mercy House CHDO LLC  
 General Partner Type: Joint Venture  
 Parent Company(ies): Community Development Partners  
 Mercy House CHDO, Inc.  
 Developer: Community Development Partners  
 Investor/Consultant: R4 Capital  
 Management Agent: FPI Management

**Project Information**

Construction Type: Adaptive Reuse  
 Total # Residential Buildings: 4  
 Total # of Units: 87  
 No. / % of Low Income Units: 86 100.00%  
 Average Targeted Affordability: 40.69%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (40 Units - 47%)

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Orange County  
 Set Aside: Homeless Set Aside  
 Homeless Set Aside Units: 40  
 CDLAC Project Analyst: Erin Deblaquiere  
 CTCAC Project Analyst: Dylan Hervey

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
30% AMI:	40	47%
50% AMI:	46	53%

**Unit Mix**

86 SRO/Studio Units
1 2-Bedroom Units
<b>87 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2023 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
40 SRO/Studio	30%	\$753
46 SRO/Studio	50%	\$1,256
1 2 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$20,050,000
Construction Costs	\$12,310,804
Construction Hard Cost Contingency	\$1,270,813
Soft Cost Contingency	\$155,169
Architectural/Engineering	\$437,000
Const. Interest, Perm. Financing	\$2,824,646
Legal Fees	\$250,000
Reserves	\$383,526
Other Costs	\$926,362
Developer Fee	\$5,459,521
<b>Total</b>	<b>\$44,067,841</b>

**Residential**

Construction Cost Per Square Foot:	\$383
Per Unit Cost:	\$506,527
Estimated Hard Per Unit Cost:	\$124,126
True Cash Per Unit Cost*:	\$386,746
Bond Allocation Per Unit:	\$266,506
Bond Allocation Per Restricted Rental Unit:	\$269,604

**Construction Financing**

Source	Amount
Citibank: Tax-Exempt	\$23,185,979
City of Costa Mesa	\$2,350,000
County of Orange	\$5,350,000
Seller Carryback	\$7,432,200
Cal Optima Grant	\$1,000,000
Deferred Costs	\$383,526
Deferred Developer Fee	\$2,633,073
Tax Credit Equity	\$1,733,063

**Permanent Financing**

Source	Amount
Citibank: Tax-Exempt	\$5,870,000
City of Costa Mesa	\$2,350,000
County of Orange	\$5,350,000
Orange County: HFT <sup>1</sup>	\$1,746,191
Seller Carryback	\$7,432,200
Cal Optima Grant	\$1,000,000
Deferred Developer Fee	\$2,988,696
Tax Credit Equity	\$17,330,754
<b>TOTAL</b>	<b>\$44,067,841</b>

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

<sup>1</sup>Orange County: Housing Finance Trust

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$19,201,327
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$22,655,000
Applicable Fraction:	100.00%
Qualified Basis:	\$24,961,725
Qualified Basis (Acquisition):	\$22,655,000
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$998,279
Maximum Annual Federal Credit, Acquisition:	\$906,200
Total Maximum Annual Federal Credit:	\$1,904,479
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,459,521
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	\$0.91000

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.

**CTCAC Significant Information / Additional Conditions:** None.

**CDLAC Analyst Comments**

None

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

**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).

<b>Point Criteria</b>	<b>New Const. Max. Points</b>	<b>Rehabilitation Max. Points</b>	<b>Points Scored</b>
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
<b>Total Points</b>	120	110	119

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

**Tie Breaker:** 121.118%