



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

901 P Street, Suite 213A
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
www.treasurer.ca.gov/ctcac

MEMBERS
FIONA MA, CPA, CHAIR
State Treasurer

MALIA M. COHEN
State Controller

JOE STEPHENSHAW
Director of Finance

GUSTAVO VELASQUEZ
Director of HCD

TIENA JOHNSON HALL
Executive Director of CalHFA

EXECUTIVE DIRECTOR
MARINA WIAINT

**Reservation Letter
Tax Exempt**

August 6, 2024

Angela Heyward
Costa Mesa M6 LP
3416 Via Oporto, Ste 301
Newport Beach, CA 92663

Email: angela@communitydevpartners.com

RE: CA-24-511 / Costa Mesa M6
2274 Newport Boulevard
Costa Mesa, CA 92627

Dear Angela Heyward,

The California Tax Credit Allocation Committee (CTCAC), in its role as administrator of the federal and California Low Income Housing Tax Credit programs (Tax Credit programs) established by Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), and Sections 12206, 17058 and 23610.5 of the California Revenue and Taxation Code, respectively, hereby reserves for the project referenced above low-income housing tax credits in the following amount(s) and under the following conditions and limitations:

\$1,904,479 in federal Tax Credits annually for each of ten years (applicable percentage of 4.00%);

These credit amounts have been calculated using a qualified basis and applicable percentage identified in the attached staff report. While the actual qualified basis may change, the credit amounts of the reservations stated above can be adjusted for projects requesting credit under Regulation Section 10326 at the time of placed-in-service.

CTCAC has reviewed all documentation required to be submitted before issuance of this letter and finds them to be acceptable and in accordance with the Qualified Allocation Plan. Additionally, CTCAC conducted its initial evaluation to determine the appropriate amount of tax credits needed for financial feasibility and long-term viability.

This evaluation is performed to assess whether development and operating costs are reasonable, that program requirements are being adhered to and that no more tax credits are awarded than are needed to fill the gap left after considering all other committed funding. Any special conditions stated in the attached staff report must be adhered to.

This reservation of tax credits is conditioned upon the receipt of a tax-exempt bond allocation no later than August 6, 2024.

This reservation is further conditioned upon the project's owner providing CTCAC with an updated development timetable by either December 31 of the year following the year the project received its reservation of Tax Credits for rehabilitation projects, or by December 31 of the second year following the year the project received its reservation of Tax Credits for new construction projects, as required under Regulation Section 10326(j).

This Reservation is further conditioned upon the project owner's constructing, purchasing, or rehabilitating the project in accordance with the application submitted to CTCAC and upon the owner placing the project in service within the time periods allowed by law and regulation. This Reservation is further conditioned upon the owner posting project signage at the construction site in a manner consistent with criteria outlined on the CTCAC website at: <http://www.treasurer.ca.gov/ctcac/signage/memo.pdf>. The allocation may be rescinded if satisfactory progress toward completion is not maintained. Within one year from the project's actual placed in service date, the Applicant must request from CTCAC the issuance of Internal Revenue Service (IRS) Form(s) 8609 and submit the required documentation as specified in CTCAC Regulation Section 10328(e). Prior to issuance of IRS Form 8609, the project owner must submit to CTCAC the following in the form of a CD/DVD/flash drive (Please do not submit these documents in a binder):

- an updated application (in MS Excel format) which shows in every respect what changes have occurred or are being proposed from the application upon which this Reservation was made (all changes are subject to approval by the Committee);
- all documents under Regulation Section 10322(i); and
- all documents required at Placed in Service are located on the CTCAC website at: <https://www.treasurer.ca.gov/ctcac/inservice/STOhome.asp>

Internal Revenue Procedure 94-57 allows owners of qualified housing projects to specify the date on which the gross rent floor described in Section 42(g)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code") will take effect. The IRS will treat the gross rent floor as taking effect on the date of this reservation under Code Section 42(h)(1). However, the IRS will treat the gross rent floor as taking effect on a building's placed in-service date if the building owner designates that date as the date on which the gross rent floor will take effect for the building. The project owner must make this designation to use the placed in-service date no later than the date on which the building is placed in service. If elected, the CTCAC election form on our website (<http://www.treasurer.ca.gov/ctcac/inservice/STOhome.asp>) will be required to be submitted with the rest of the items listed above prior to issuance of IRS Form 8609.

Before issuance of IRS Form 8609, the project owner will be required to sign a CTCAC Regulatory Agreement and lease rider, if applicable, which will bind current and future owners to covenants previously agreed to by the project owner and CTCAC. The project will be monitored by CTCAC for the duration of the compliance period to ensure that the project is abiding by all covenants. Projects will be charged a one-time monitoring fee of \$700 per unit. This fee must be paid before any tax forms will be issued and/or the Regulatory Agreement will be recorded. (Credits cannot be claimed if the Agreement has not been recorded.)

Within 20 days of the date of this reservation, **by 5:00 p.m. on August 26, 2024, the applicant must provide a payment in the amount of \$19,045**, which is the reservation fee required for this project. Please submit an electronic payment by visiting the CTCAC website <https://www.treasurer.ca.gov/ctcac/>. If preferred, a check may be made out to CTCAC. The reservation fee is not refundable.

By accepting this Reservation, the owner understands and accepts the risks that the U.S. Congress, U.S. Department of the Treasury, or the State of California may change the requirements for the award of tax

credits by subsequent enactment of law or regulation. The owner further acknowledges that it has consulted its own tax advisor as to any consequences related to this Reservation or eventual award of tax credits.

Applicant acknowledges that it is under an affirmative obligation to advise CTCAC of any material change in the nature or composition of the owner or the development team or of any of the specifics of the Project set forth in the Application.

Moreover, even after the reservation of tax credits, the amount of such reservation may be adjusted if, upon the initial and subsequent feasibility determinations, CTCAC determines that the Project received more credits than are necessary for financial feasibility of the Project. In addition, CTCAC may rescind a reservation of credits in the event that the maximum amount of credits achievable is insufficient for financial feasibility of the Project.

CTCAC accepts no responsibility for any adverse consequences to the owner if the owner chooses to proceed with the project based upon this Reservation. Upon mutual consent with the CTCAC, the project's Reservation may be canceled, and the credits returned to CTCAC to be reused (IRC Sec. 42(h)(3)(C)(iii)).

The owner is advised that CTCAC is required by law to perform a financial evaluation of your project after it is placed in service and before issuance of tax forms. CTCAC has the responsibility to determine the reasonableness of all costs included in the development of this project. The evaluation and reasonableness determination may result in the denial of any allocation of tax credits or a reduction in the amount of tax credits finally allocated to this project. If the feasibility analysis indicates that less credits are allowable, the credit allocation will be adjusted accordingly, and the excess credits must be returned.

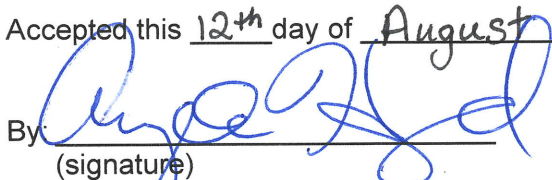
Please examine the provisions of this Reservation carefully and advise me promptly if there are any errors contained herein. If you agree to the terms of this Reservation, please sign, and date this form and deliver the **reservation letter and reservation fee no later than 5:00 p.m. on August 26, 2024**, to the CTCAC at 901 P Street, Suite 213A, Sacramento, CA 95814. You are encouraged to keep a copy of this document for your records.

Executed this 6th day of August 2024.



By: _____
Marina Wiant
Executive Director

Accepted this 12th day of August, 2024.



By: _____
(signature)
Angela Heyward
(type or print name)

Development Director SW Region
(type or print title)

**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

Tax Credit Amounts	Federal/Annual	State/Total
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

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

Unit Mix

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

Unit Type & Number	2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
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
Total	\$44,067,841

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 ¹	\$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
TOTAL	\$44,067,841

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

¹Orange 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).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
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
Total Points	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%

ORIGIN ID:TWHA (949) 467-1344
COMMUNITY DEVELOPMENT PARTNERS
COMMUNITY DEVELOPMENT PARTNERS
3416 VIA OPORTO
SUITE 301
NEWPORT BEACH, CA 92663
UNITED STATES US

SHIP DATE: 19AUG24
ACTWGT: 1.00 LB
CAD: 103715921/INET4535

BILL SENDER

TO **CTCAC**

**901 P STREET
SUITE 213A
SACRAMENTO CA 95814**

583J6/A12D9AE3

(916) 654-6340 REF: COSTA MESA M6 (CA-24-511)
INV:
PO: DEPT:

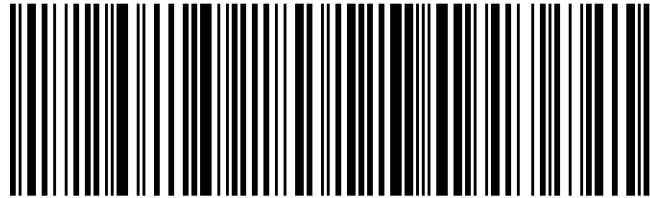


**THU - 22 AUG 5:00P
EXPRESS SAVER**

TRK# 7780 5715 6836
0201

CB BLUA

**95814
CA-US SMF**



After printing this label:
CONSIGNEE COPY - PLEASE PLACE IN FRONT OF POUCH
1. Fold the printed page along the horizontal line.
2. Place label in shipping pouch and affix it to your shipment.

Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com. FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$1,000, e.g. jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits, see current FedEx Service Guide.