

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 16, 2011**

**Project Number** CA-2011-916

**Project Name** Palmdalia Family Apartments  
 Site Address: 38028 11th Street E  
 Palmdale, CA 93550 County: Los Angeles  
 Census Tract: 9105.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$287,389	\$0
Recommended:	\$287,389	\$0

**Applicant Information**

Applicant: Palmdalia Family Apartments, L.P.  
 Contact: Jonathan Emami  
 Address: 1650 Lafayette Street  
 Santa Clara, CA 95050  
 Phone: 408-984-5600 Fax: 408-984-3111  
 Email: jemami@roemcorp.com

General partner(s) or principal owner(s): Pacific Housing, Inc.  
 ROEM Apartment Communities, LLC (RAC)  
 General Partner Type: Joint Venture  
 Developer: RAC/ROEM Development Corporation  
 Investor/Consultant: Alliant Capital, Ltd.  
 Management Agent: FPI Management, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 4  
 Total # of Units: 64  
 No. & % of Tax Credit Units: 63 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Contract Based Section 8 (63 units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 7  
 Number of Units @ or below 60% of area median income: 56

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: December 2011  
 Credit Enhancement: PNC Bank, N.A.

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Los Angeles County  
 TCAC Project Analyst: Velia M. Greenwood

**Unit Mix**

16 1-Bedroom Units  
 48 2-Bedroom Units  


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 64 Total Units

<u>Unit Type &amp; Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	50%	44%	\$700
14 1 Bedroom	60%	44%	\$700
5 2 Bedrooms	50%	42%	\$805
42 2 Bedrooms	60%	42%	\$805
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$8,565,703  
 Estimated Residential Project Cost: \$8,565,703

**Residential**  


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 Construction Cost Per Square Foot: \$29  
 Per Unit Cost: \$133,839

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
PNC Bank, N.A.	\$5,389,000	PNC Bank, N.A.	\$5,389,000
Lease Up Income	\$311,608	Lease Up Income	\$311,608
Deferred Reserve Funding	\$150,851	Deferred Developer Fee	\$275,720
Deferred Developer Fee	\$868,031	Tax Credit Equity	\$2,589,375
Tax Credity Equity	\$1,846,213	<b>TOTAL</b>	<b>\$8,565,703</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$2,652,964
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,014,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,448,853
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$5,014,000
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$116,913
Maximum Annual Federal Credit, Acquisition:	\$170,476
Total Maximum Annual Federal Credit:	\$287,389
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,000,039
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.90100

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$7,666,964
Actual Eligible Basis:	\$7,666,964
Unadjusted Threshold Basis Limit:	\$14,360,288
Total Adjusted Threshold Basis Limit:	\$18,811,978

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 11%

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.40% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information:** The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14% based on the specific line item costs. However, the estimated costs are within the limits if the hard cost contingency is included in the calculation. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

**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.

**Recommendation:** Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$287,389</b>	<b>\$0</b>

**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 IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC 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 TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC 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 TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC 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 TCAC in its final feasibility analysis.

**Additional Conditions:** The applicant/owner is required to provide the tenants with after school programs, educational classes, and Bona fide service coordinator/social worker free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.