

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report Tax-Exempt Bond Project May 16, 2018

Palmdale Park Apartments, located at 38002 15th Street East in Palmdale, requested and is being recommended for a reservation of \$428,906 in annual federal tax credits to finance the acquisition and rehabilitation of 57 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Development Partners and is located in Senate District 21 and Assembly District 36.

**Project Number** CA-18-744

**Project Name** Palmdale Park Apartments  
**Site Address:** 38002 15th Street East  
Palmdale, CA 93350 County: Los Angeles  
**Census Tract:** 9105.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$428,906	\$0
Recommended:	\$428,906	\$0

### Applicant Information

**Applicant:** Palmdale Park Apartments, LP  
**Contact:** Kyle Paine  
**Address:** 3416 Via Oporto  
Newport Beach, CA 92663  
**Phone:** (949) 467-1344  
**Email:** kyle@communitydevpartners.com

**General Partner(s) or Principal Owner(s):** Palmdale Park Apartments GP, LLC  
IH CDP Partnership LLC  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Community Development Partners  
Integrity Housing  
**Developer:** Community Development Partners  
**Investor/Consultant:** Aegon  
**Management Agent:** John Stewart Company

### Project Information

**Construction Type:** Acquisition & Rehabilitation  
**Total # Residential Buildings:** 11  
**Total # of Units:** 58  
**No. / % of Low Income Units:** 57 100.00%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** Tax-Exempt

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: June 1, 2018

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Elaine Johnson

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 50% AMI: 12	21%
At or Below 60% AMI: 45	79%

**Unit Mix**

42 2-Bedroom Units
16 3-Bedroom Units
<b>58 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2017 Rents Targeted % of Area Median Income</b>	<b>2017 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
6 2 Bedrooms	50%	50%	\$1,013
35 2 Bedrooms	60%	60%	\$1,216
6 3 Bedrooms	50%	50%	\$1,171
10 3 Bedrooms	60%	60%	\$1,406
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$7,945,740

**Project Cost Summary at Application**

Land and Acquisition	\$7,750,000
Construction Costs	\$0
Rehabilitation Costs	\$2,147,355
Construction Contingency	\$214,735
Relocation	\$116,000
Architectural/Engineering	\$123,500
Const. Interest, Perm. Financing	\$531,727
Legal Fees, Appraisals	\$82,250
Reserves	\$278,830
Other Costs	\$467,766
Developer Fee	\$1,583,871
Commercial Costs	\$0
<b>Total</b>	<b>\$13,296,034</b>

**Residential**

Construction Cost Per Square Foot:	\$38
Per Unit Cost:	\$229,242
True Cash Per Unit Cost*:	\$221,976

**Construction Financing**

Source	Amount
JLL - Freddie Mac	\$10,200,000
Deferred Developer Fee	\$503,967
Tax Credit Equity	\$2,592,067

**Permanent Financing**

Source	Amount
JLL - Freddie Mac	\$8,800,000
Deferred Developer Fee	\$421,427
Tax Credit Equity	\$4,074,607
<b>TOTAL</b>	<b>\$13,296,034</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$3,518,013
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$8,625,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,573,417
Qualified Basis (Acquisition):	\$8,625,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$146,868
Maximum Annual Federal Credit, Acquisition:	\$282,038
Total Maximum Annual Federal Credit:	\$428,906
Approved Developer Fee (in Project Cost & Basis):	\$1,583,871
Investor/Consultant:	Aegon
Federal Tax Credit Factor:	\$0.95000

Per Regulation Section 10327(c)(6), 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.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$12,143,013
Actual Eligible Basis:	\$12,143,013
Unadjusted Threshold Basis Limit:	\$19,343,808
Total Adjusted Threshold Basis Limit:	\$23,406,008

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 21%

**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 meet 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 3.27% 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.

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

**Local Reviewing Agency**

The Local Reviewing Agency, City of Palmdale, has completed a site review of this project and supports this project.

**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.

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 a reservation 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.

**CDLAC:** None.