

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 17, 2018**

The Sands Apartments, located at 74351 Hovley Lane East in Palm Desert, requested and is being recommended for a reservation of \$470,620 in annual federal tax credits to finance the new construction of 78 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by New Cities Investment Partners and will be located in Senate District 28 and Assembly District 42.

**Project Number** CA-18-630

**Project Name** The Sands Apartments  
**Site Address:** 74351 Hovley Lane East  
Palm Desert, CA 92260 County: Riverside  
**Census Tract:** 449.30

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$470,620	\$0
Recommended:	\$470,620	\$0

**Applicant Information**

**Applicant:** The Sands Apartments, LP  
**Contact:** Lee Newell  
**Address:** 1850 Mt Diablo Blvd Ste 337  
Walnut Creek, CA 94596  
**Phone:** 831-915-2810  
**Email:** lnewell@nclc2.com

**General Partner(s) or Principal Owner(s):** New Cities Palm Desert, LP  
AOF Pacific Affordable Housing Corp  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** New Cities Investment Partners  
AOF Pacific Affordable Housing Corp  
**Developer:** New Cities Investment Partners  
**Investor/Consultant:** New Cities Investment Partners  
**Management Agent:** Alliance Residential

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 16  
 Total # of Units: 388  
 No. / % of Low Income Units: 78 20.21%  
 Federal Set-Aside Elected: 20%/50%  
 Federal Subsidy: Tax-Exempt

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: December 1, 2019

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Inland Empire Region  
 TCAC Project Analyst: Marlene McDonough

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 50% AMI: 78	100%

**Unit Mix**

183 1-Bedroom Units  
 173 2-Bedroom Units  
32 3-Bedroom Units  
 388 Total Units

<u>Unit Type &amp; Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
30 1 Bedroom	50%	50%	\$632
6 1 Bedroom	50%	50%	\$632
33 2 Bedrooms	50%	50%	\$758
4 2 Bedrooms	50%	50%	\$758
5 3 Bedrooms	50%	50%	\$876
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,850
72 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,450
75 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,510
82 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,850
52 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,975
27 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,100

TCAC-confirmed Projected Lifetime Rent Benefit: \$48,046,020

**Project Cost Summary at Application**

Land and Acquisition	\$5,350,000
Construction Costs	\$65,461,575
Rehabilitation Costs	\$0
Construction Contingency	\$882,341
Relocation	\$0
Architectural/Engineering	\$1,150,000
Const. Interest, Perm. Financing	\$10,776,525
Legal Fees, Appraisals	\$725,000
Reserves	\$1,638,503
Other Costs	\$5,832,030
Developer Fee	\$3,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$94,815,974</b>

**Residential**

Construction Cost Per Square Foot:	\$164
Per Unit Cost:	\$244,371
True Cash Per Unit Cost*:	\$243,082

**Construction Financing**

Source	Amount
East West Bank - Series A bonds	\$68,000,000
Align Finance Partners - Series B bonds	\$12,000,000
Owner Equity	\$9,933,494
Deferred Developer Fee	\$3,000,000
Tax Credit Equity	\$1,882,480

**Permanent Financing**

Source	Amount
East West Bank	\$77,049,000
Cash from Operations	\$3,235,626
Owner Equity	\$9,325,148
Deferred Developer Fee	\$500,000
Tax Credit Equity	\$4,706,200
<b>TOTAL</b>	<b>\$94,815,974</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$83,419,815
130% High Cost Adjustment:	No
Applicable Fraction:	17.25%
Qualified Basis:	\$14,392,048
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$470,620
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,000,000
Investor/Consultant:	New Cities Investment Partners
Federal Tax Credit Factor:	\$1.00000

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.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$83,419,815
Actual Eligible Basis:	\$83,419,815
Unadjusted Threshold Basis Limit:	\$113,210,430
Total Adjusted Threshold Basis Limit:	\$135,852,516

**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: 20%

**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 3.27% 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

**Resyndication and Resyndication Transfer Event:** None

**Local Reviewing Agency**

The Local Reviewing Agency, The City of Palm Desert, has completed a site review of this project and strongly 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 Additional Conditions:** None