CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2019

Pacific Palms Apartments, located at 410 S. Calle Encilia in Palm Springs, requested and is being recommended for a reservation of $912,188 in annual federal tax credits to finance the acquisition and rehabilitation of 138 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Spira Pacific Palms, LP and is located in Senate District 28 and Assembly District 42.

Pacific Palms Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Pacific Palms Apartments (CA-00-804). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-585

Project Name Pacific Palms Apartments
Site Address: 410 S. Calle Encilia
Palm Springs, CA 92262 County: Riverside
Census Tract: 9414.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$912,188	$0
Recommended:	$912,188	$0

Applicant Information

Applicant:	Pacific Palms Apartments, LP
Contact:	Stephen Ho
Address:	1015 Fillmore St. PMB 31735 San Francisco, CA 94115
Phone:	778-373-5505
Email:	stephen@spiraequitypartners.com

General Partner(s) or Principal Owner(s):	Spira Pacific Palms, LP FFAH V Pacific Palms, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Spira Equity Partners Foundation for Affordable Housing V, Inc.
Developer:	Spira Pacific Palms, LP
Investor/Consultant:	CREA LLC
Management Agent:	Aperto Property Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	14
Total # of Units:	140
No. / % of Low Income Units:	138 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	March 31, 2020

Information

Housing Type:	Non-Targeted
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	14	10%
60% AMI:	124	90%

Unit Mix

26	1-Bedroom Units
82	2-Bedroom Units
32	3-Bedroom Units
140	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	50%	$673
23	1 Bedroom	60%	60%	$808
8	2 Bedrooms	50%	50%	$808
73	2 Bedrooms	60%	60%	$970
3	3 Bedrooms	50%	50%	$933
28	3 Bedrooms	60%	60%	$1,120
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0
1	3 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application

Land and Acquisition	$18,000,980
Construction Costs	$0
Rehabilitation Costs	$4,032,000
Construction Hard Cost Contingency	$403,200
Soft Cost Contingency	$53,600
Relocation	$105,400
Architectural/Engineering	$200,000
Const. Interest, Perm. Financing	$1,059,380
Legal Fees	$131,600
Reserves	$340,074
Other Costs	$256,991
Developer Fee	$3,358,590
Commercial Costs	$0
Total	**$27,941,815**

Residential

Construction Cost Per Square Foot:	$32
Per Unit Cost:	$199,584
True Cash Per Unit Cost*:	$190,048

Construction Financing

Source	Amount
Capital One, N.A.	$15,650,000
Cash Flow From Operations	$1,382,291
Deferred Developer Fee	$3,358,590
GP Loan	$5,080,689
GP Equity	$909,575
Tax Credit Equity	$1,560,670

Permanent Financing

Source	Amount
Capital One, N.A.	$15,650,000
Cash Flow From Operations	$1,382,291
Deferred Developer Fee	$1,335,116
GP Equity	$909,575
Tax Credit Equity	$8,664,833
TOTAL	**$27,941,815**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,309,560
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$19,439,631
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,202,428
Qualified Basis (Acquisition):	$19,439,631
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$270,680
Maximum Annual Federal Credit, Acquisition:	$641,508
Total Maximum Annual Federal Credit:	$912,188
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,358,590
Investor/Consultant:	CREA LLC
Federal Tax Credit Factor:	$0.94990

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:	$25,749,191
Actual Eligible Basis:	$25,749,191
Unadjusted Threshold Basis Limit:	$47,747,436
Total Adjusted Threshold Basis Limit:	$52,522,180

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: 10%

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 are below the minimum operating expenses established in the Regulations (See "**Significant Information / Additional Conditions**" Section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.30% 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

This Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of $4,700. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $4,000 on agreement of the permanent lender and equity investor.

The applicant noted that the unit mix for the current application reflects one additional 1-bedroom unit that was not reflected in the project's existing unit mix. The applicant explained that under CA-00-804 this unit was not included in eligible basis. This unit must qualify under Section 42 as a low income unit. Existing tenants may not be "grandfathered."

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-00-804). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-00-804) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered"). The one 1-bedroom unit that was not part of the original application or Regulatory Agreement must qualify under the new reservation and may not be "grandfathered."

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The project is currently subject to a Capital Needs Agreement that requires the funding of a Short Term Work Reserve Account in the amount of $909,575. There is a general partner equity contribution in the amount of $909,575 satisfying such requirement, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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.

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
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.