

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

Cathedral Palms Senior Apartments, located at 31-750 Landau Blvd. in Cathedral City, requested and is being recommended for a reservation of \$1,505,653 in annual federal tax credits to finance the acquisition and rehabilitation of 222 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by National Community Renaissance of California and is located in Senate District 28 and Assembly District 56.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

**Project Number** CA-19-598

**Project Name** Cathedral Palms Senior Apartments  
 Site Address: 31-750 Landau Blvd.  
 Cathedral City, CA 92234 County: Riverside  
 Census Tract: 449.26

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,505,653	\$0
Recommended:	\$1,505,653	\$0

**Applicant Information**

Applicant: CP Senior Apartments, L.P.  
 Contact: Kevin Chin  
 Address: 9421 Haven Avenue  
 Rancho Cucamonga, CA 91730  
 Phone: 909-969-4168  
 Email: kchin@nationalcore.org

General Partner(s) or Principal Owner(s): CP Senior GP LLC  
 National Community Renaissance of California  
 National Community Renaissance of  
 Northern California

General Partner Type: Nonprofit

Parent Company: National Community Renaissance of California

Developer: National Community Renaissance of California

Investor/Consultant: Red Stone Equity Partners

Management Agent: National Community Renaissance of California

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 6  
 Total # of Units: 224  
 No. / % of Low Income Units: 222 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (68 units - 30%)

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: April 1, 2020

**Information**

Housing Type: Seniors  
 Geographic Area: Inland Empire  
 TCAC Project Analyst: Marlene McDonough

**55-Year Use / Affordability**

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
30% AMI: 68	31%
40% AMI: 46	21%
50% AMI: 108	49%

**Unit Mix**

184 SRO/Studio Units  
40 2-Bedroom Units  
 224 Total Units

<u>Unit Type</u> <u>&amp; Number</u>	<u>2019 Rents</u> <u>Targeted % of</u> <u>Area Median</u> <u>Income</u>	<u>2019 Rents Actual</u> <u>% of Area Median</u> <u>Income</u>	<u>Proposed Rent</u> <u>(including</u> <u>utilities)</u>
68 SRO/Studio	30%	30%	\$377
38 SRO/Studio	40%	40%	\$503
78 SRO/Studio	50%	50%	\$628
8 2 Bedrooms	40%	40%	\$647
30 2 Bedrooms	50%	50%	\$808
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$15,600,000
Construction Costs	\$0
Rehabilitation Costs	\$15,754,180
Construction Hard Cost Contingency	\$1,429,980
Soft Cost Contingency	\$300,000
Relocation	\$1,030,560
Architectural/Engineering	\$653,706
Const. Interest, Perm. Financing	\$1,820,135
Legal Fees	\$165,000
Reserves	\$1,047,261
Other Costs	\$1,055,204
Developer Fee	\$5,059,455
Commercial Costs	\$0
<b>Total</b>	<b>\$43,915,481</b>

**Residential**

Construction Cost Per Square Foot:	\$147
Per Unit Cost:	\$196,051
True Cash Per Unit Cost*:	\$130,454

**Construction Financing**

Source	Amount
JP Morgan Chase Bank	\$21,166,830
Seller Note	\$1,215,125
Seller Carryback Loan	\$14,419,496
Deferred Cost	\$1,334,260
Deferred Developer Fee	\$2,805,000
GP Equity	\$1,559,456
Tax Credit Equity	\$1,415,314

**Permanent Financing**

Source	Amount
JP Morgan Chase Bank	\$4,581,000
HCD - NPLH <sup>1</sup>	\$7,712,905
Seller Note	\$1,215,125
Seller Carryback Loan	\$14,419,496
Deferred Developer Fee	\$274,362
GP Equity	\$1,559,456
Tax Credit Equity	\$14,153,137
<b>TOTAL</b>	<b>\$43,915,481</b>

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

<sup>1</sup>NPLH = No Place Like Home

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$22,804,160
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,984,999
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$29,645,409
Qualified Basis (Acquisition):	\$15,984,999
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$978,148
Maximum Annual Federal Credit, Acquisition:	\$527,505
Total Maximum Annual Federal Credit:	\$1,505,653
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,059,455
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.94000

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:	\$38,789,159
Actual Eligible Basis:	\$38,789,159
Unadjusted Threshold Basis Limit:	\$56,926,672
Total Adjusted Threshold Basis Limit:	\$130,362,079

**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: 69%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 60%

**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 or 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 3.30% 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:** 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.

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.