

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 15, 2022

Gerald Ford Apartments, located at 75580 Gerald Ford Drive in Palm Desert, requested and is being recommended for a reservation of \$2,702,157 in annual federal tax credits and \$15,589,365 in total state tax credits to finance the new construction of 149 units of housing serving large families with rents affordable to households earning 30%-70% of area median income (AMI). The project will be developed by Western National Investments and will be located in Senate District 28 and Assembly District 42.

Project Number CA-22-494

Project Name Gerald Ford Apartments
Site Address: 75580 Gerald Ford Drive
Palm Desert, CA 92211 County: Riverside
Census Tract: 449.22

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,702,157	\$15,589,365
Recommended:	\$2,702,157	\$15,589,365

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Hearthstone Housing Foundation
Contact: Melanie Schultz
Address: 1401 Dove Street, Suite 620
Newport Beach, CA 92660
Phone: 949-553-9447
Email: melanie@hearthstonehousing.org

General Partner(s) or Principal Owner(s): Hearthstone CA Properties III, LLC
Western National Investments

General Partner Type: Joint Venture

Parent Company(ies): Hearthstone Housing Foundation
Western National Investments

Developer: Western National Investments

Bond Issuer: CSCDA

Investor/Consultant: CREA

Management Agent: Western National Property Management

Project Information

Construction Type: New Construction

Total # Residential Buildings: 8

Total # of Units: 150

No. / % of Low Income Units: 149 100.00%

Federal Set-Aside Elected: 40%/60% Average Income

Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Jonghyun(Tommy), Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 15	10%
50% AMI: 15	10%
60% AMI: 83	56%
70% AMI: 36	24%

Unit Mix

112 2-Bedroom Units
38 3-Bedroom Units
<u>150 Total Units</u>

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 2 Bedrooms	30%	\$533
9 2 Bedrooms	50%	\$888
57 2 Bedrooms	60%	\$1,066
36 2 Bedrooms	70%	\$1,243
6 3 Bedrooms	30%	\$616
6 3 Bedrooms	50%	\$1,027
6 3 Bedrooms	60%	\$1,232
20 3 Bedrooms	60%	\$1,232
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,400,000
Construction Costs	\$35,793,400
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,784,670
Soft Cost Contingency	\$500,000
Relocation	\$0
Architectural/Engineering	\$1,100,000
Const. Interest, Perm. Financing	\$3,212,651
Legal Fees	\$200,000
Reserves	\$390,563
Other Costs	\$4,429,112
Developer Fee	\$6,777,985
Commercial Costs	\$0
Total	\$57,588,381

Residential

Construction Cost Per Square Foot:	\$231
Per Unit Cost:	\$383,923
True Cash Per Unit Cost*:	\$342,230

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt	\$29,896,856	Citibank	\$15,118,902
Citibank - Taxable	\$9,464,644	Deferred Developer Fee	\$6,253,815
Citi - Tax Exempt - Recycled	\$3,500,000	Tax Credit Equity	\$36,215,664
Deferred Costs	\$7,483,748	TOTAL	\$57,588,381
Tax Credit Equity	\$7,243,133		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$51,964,549
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$67,553,914
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,702,157
Total State Credit:	\$15,589,365
Approved Developer Fee:	\$6,777,985
Investor/Consultant:	CREA
Federal Tax Credit Factor:	\$0.84991
State Tax Credit Factor:	\$0.84991

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.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.