

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2023 Second Round

November 8, 2023

Palmer Park Manor, located at 617 East Palmer Avenue in Glendale, requested \$391,372 in annual federal tax credits and \$1,289,321 in total state tax credits but is being recommended for \$393,886 in annual federal tax credits and \$1,260,638 in total state tax credits to finance the acquisition and rehabilitation of 12 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Palmer Park Developer, LLC and is located in Senate District 25 and Assembly District 43.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-23-142

Project Name Palmer Park Manor

Site Address: 617 East Palmer Avenue
Glendale, CA 91205

County: Los Angeles

Census Tract: 3025.06

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$391,372	\$1,289,321
Recommended:	\$393,886	\$1,260,638

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Palmer Park Housing Partners, LP

Contact: Evan Laws

Address: 415 First Avenue North #19240
Seattle, WA 98109

Phone: 360-921-3160

Email: evan.laws@vitus.com

General Partner(s) / Principal Owner(s): FFAH V Palmer Park, LLC
Palmer Park Housing Management, LLC

General Partner Type: Joint Venture

Parent Company(ies): Foundation for Affordable Housing V, Inc.
Vitus Group, LLC

Developer: Palmer Park Developer, LLC

Investor/Consultant: R4 Capital LLC

Management Agent(s): Aperto Property Management, Inc.

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 12
 No. & % of Tax Credit Units: 12 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Contract (12 Units - 100%)

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Balance of Los Angeles County
 CTCAC Project Analyst: Nick White

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	3	25%
At or Below 50% AMI:	6	40%
At or Below 60% AMI:	3	25%

Unit Mix

8 2-Bedroom Units
<u>4 3-Bedroom Units</u>
12 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 2 Bedrooms	30%	\$804
2 2 Bedrooms	50%	\$1,340
4 3 Bedrooms	50%	\$1,548
3 2 Bedrooms	60%	\$1,608

Project Cost Summary at Application

Land and Acquisition	\$5,340,000
Construction Costs	\$0
Rehabilitation Costs	\$1,335,584
Construction Contingency	\$190,751
Relocation	\$107,500
Architectural/Engineering	\$39,000
Const. Interest, Perm. Financing	\$412,557
Legal Fees	\$203,750
Reserves	\$120,000
Other Costs	\$235,628
Developer Fee	\$518,109
Commercial Costs	\$0
Total	\$8,502,879

Residential

Construction Cost Per Square Foot:	\$125
Per Unit Cost:	\$708,718
True Cash Per Unit Cost*:	\$689,874

Construction Financing

Source	Amount
Rockport - HUD 221D4	\$3,790,000
Equity Bridge Loan	\$3,255,000
Tax Credit Equity	\$897,706

Permanent Financing

Source	Amount
Rockport - HUD 221D4	\$3,790,000
Deferred Developer Fee	\$226,082
Tax Credit Equity	\$4,486,797
TOTAL	\$8,502,879

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,315,074
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$4,638,232
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,315,074
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$4,638,232
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$208,357
Maximum Annual Federal Credit, Acquisition:	\$185,529
Total Maximum Annual Federal Credit:	\$393,886
Total State Credit:	\$1,260,638
Approved Developer Fee (in Project Cost & Eligible Basis):	\$518,109
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$0.88991
State Tax Credit Factor:	\$0.78000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	At-Risk
Self-Score Final:	35.328%
CTCAC Final:	32.448%

Significant Information / Additional Conditions:

Staff noted the distribution of the developer fee cost in basis between rehabilitation basis and acquisition basis was in excess of the limit on the rehabilitation basis side required by regulation. The acquisition and rehabilitation basis were adjusted accordingly in order to meet the limits required by regulation.

Development costs are roughly \$689,733 per unit. The factors affecting this cost include the size of the project, elevated interest rates on the bridge loan, increased construction cost, and temporary relocation costs in a metro area.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	5
Management Experience	3	3	2
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1 1/2 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1/4 mile of a public elementary school	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	0
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 42 hrs/yr instruction	7	7	0
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	0
SPECIAL NEEDS HOUSING TYPE			
Lowest Income	52	52	50
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	0
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	109	109	97

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL REAPPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.