

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 14, 2012

Project Number CA-12-895

Project Name Palo Verde Apartments
 Site Address: 44720 Palo Verde Street
 Indio, CA 92201 County: Riverside
 Census Tract: 453.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$320,070	\$0
Recommended:	\$320,070	\$0

Applicant Information

Applicant: PVI Apartments, LP
 Contact: Chris Burns
 Address: 230 Newport Center Drive, Suite 210
 Newport Beach, CA 92660
 Phone: 949-719-1888 Fax: 949-719-1897
 Email: cburns@kdfcommunities.com

General partner(s) or principal owner(s): PVI Apartments MGP LLC
 PVI Apartments COGP LLC
 General Partner Type: Joint Venture
 Developer: KDF Communities LLC
 Investor/Consultant: WNC & Associates
 Management Agent: VPM Management Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 10
 Total # of Units: 80
 No. & % of Tax Credit Units: 73 91.99%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project -Based Section 8 Contract (70 Units - 88%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 8
 Number of Units @ or below 60% of area median income: 65

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 1, 2012
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

40 2-Bedroom Units
 40 3-Bedroom Units

 80 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 2 Bedrooms	50%	50%	\$753
35 2 Bedrooms	60%	54%	\$809
4 3 Bedrooms	50%	50%	\$871
30 3 Bedrooms	60%	60%	\$1,045
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$963
5 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$963
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$745

Project Financing

Estimated Total Project Cost: \$11,249,136
 Estimated Residential Project Cost: \$11,249,136

Residential

Construction Cost Per Square Foot: \$25
 Per Unit Cost: \$140,614

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$7,500,000
Project Cash Flow	\$433,058
Tax Credit Equity	\$1,799,263

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$7,353,000
Project Cash Flow	\$422,414
Deferred Developer Fee	\$433,058
Tax Credit Equity	\$3,040,664
TOTAL	\$11,249,136

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,650,995
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,427,337
Applicable Fraction:	91.99%
Qualified Basis (Rehabilitation):	\$3,170,096
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$6,832,084
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$101,443
Maximum Annual Federal Credit, Acquisition:	\$218,627
Total Maximum Annual Federal Credit:	\$320,070
Approved Developer Fee in Project Cost:	\$1,316,282
Approved Developer Fee in Eligible Basis:	\$1,303,119
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.95000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,078,332
Actual Eligible Basis:	\$10,078,332
Unadjusted Threshold Basis Limit:	\$20,282,880
Total Adjusted Threshold Basis Limit:	\$22,311,168

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income 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 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 3.20% 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.

Special Issues/Other Significant Information: None.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Indio Community Development Department, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$320,070	\$0

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.

Additional Conditions: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project is a rehabilitation project not subject to Title 24, that reduces energy use on a per square foot basis by 15% as calculated using a methodology approved by the California Energy Commission.