

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
 Project Staff Report
 Qualified Private Activity Tax-Exempt Bond Project
 May 12, 2026**

Palm Villas at State, located at 761 North State Street in Hemet on a 4.79 acre site, requested and is being recommended for a reservation of \$3,414,151 in annual federal tax credits, \$5,970,155 in total state tax credits, and \$18,526,051 of tax-exempt bond cap to finance the new construction of 109 units of housing, consisting of 108 restricted rental units and 1 unrestricted manager's unit. The project will have 75 two-bedroom units, and 34 three-bedroom units, serving families with rents affordable to households earning 30%-60% of area median income (AMI). The construction is expected to begin in November 2026 and be completed in September 2028. The project will be developed by D.L. Horn & Associates, LLC and will be located in Senate District 19 and Assembly District 60.

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 Affordable Housing and Sustainable Communities (AHSC) and the Permanent Local Housing Allocation (PLHA) programs of HCD.

Project Number CA-26-498

Project Name Palm Villas at State
 Site Address: 761 North State Street
 Hemet, CA 92543
 County: Riverside
 Census Tract: 0435.21

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,414,151	\$5,970,155
Recommended:	\$3,414,151	\$5,970,155

Tax-Exempt Bond Allocation
 Recommended: \$18,526,051

CTCAC Applicant Information
 CTCAC Applicant/CDLAC Sponsor: Kingdom Development, Inc.
 Contact: William Leach
 Address: 6451 Box Springs Boulevard
 Riverside, CA 92507
 Phone: 951-538-6244
 Email: William@kingdomdevelopment.net

Bond Financing Information
 CDLAC Applicant/Bond Issuer: California Statewide Communities Development Authority
 Bond Counsel: Orrick, Herrington & Sutcliffe LLP
 Private Placement Purchaser: KeyBank Community Development Lending

Development Team

General Partners / Principal Owners: PC Hemet State Developers, LLC
 Kingdom AQ, LLC
 Hemet PV Partners, LP

General Partner Type: Joint Venture
 Parent Companies: Palm Communities
 Kingdom Development, Inc.
 Hemet PV Partners, LP

Developer: D.L. Horn & Associates, LLC
 Investor/Consultant: Boston Financial
 Management Agent: Aperto Property Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 109
 No. / % of Low Income Units: 108 100.00%
 Average Targeted Affordability: 43.43%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers
 (27 Units - 25%)

Information

Housing Type: Large Family
 Geographic Area: Inland Region
 State Ceiling Pool: New Construction
 Set Aside: Homeless Set Aside
 CDLAC Project Analyst: Jake Salle
 CTCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI:	54	50%
50% AMI:	17	16%
60% AMI:	37	34%

Unit Mix

75	2-Bedroom Units
34	3-Bedroom Units
109	Total Units

<u>Unit Type & Number</u>	<u>2025 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
16 2 Bedrooms	30%	\$755
12 2 Bedrooms	30%	\$755
21 2 Bedrooms	30%	\$755
26 2 Bedrooms	60%	\$1,510
5 3 Bedrooms	30%	\$873
10 3 Bedrooms	50%	\$1,455
7 3 Bedrooms	50%	\$1,455
11 3 Bedrooms	60%	\$1,746
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,787,890
Construction Costs	\$44,375,539
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,199,776
Soft Cost Contingency	\$500,000
Relocation	\$0
Architectural/Engineering	\$2,275,000
Const. Interest, Perm. Financing	\$7,548,039
Legal Fees	\$345,000
Reserves	\$934,622
Other Costs	\$4,432,111
Developer Fee	\$8,563,923
Commercial Costs	\$0
Total	\$72,961,900

Residential

Construction Cost Per Square Foot:	\$378
Per Unit Cost:	\$669,375
Estimated Hard Per Unit Cost:	\$352,037
True Cash Per Unit Cost*:	\$598,048
Bond Allocation Per Unit:	\$169,964
Bond Allocation Per Restricted Rental Unit:	\$171,538

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
KeyBank: Tax-Exempt	\$18,526,051	KeyBank	\$6,566,759
KeyBank: Taxable	\$40,538,940	Seller Carryback	\$1,710,714
Seller Carryback	\$1,710,714	HCD: AHSC	\$22,000,000
Deferred Costs	\$9,074,145	Riverside County: PLHA	\$5,500,000
Tax Credit Equity	\$3,112,050	Deferred Developer Fee	\$6,063,923
		Tax Credit Equity	\$31,120,504
		TOTAL	\$72,961,900

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$65,656,745
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$85,353,769
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,414,151
Total State Credit:	\$5,970,155
Approved Developer Fee (in Project Cost & Eligible Basis):	\$8,563,923
Federal Tax Credit Factor:	\$0.76992
State Tax Credit Factor:	\$0.80974

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.

CTCAC Significant Information / Additional Conditions

The current legal description is part of a larger site and the project site's parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-26-498 must be completed as part of the Placed-in-Service package.

Projects with funding and/or subsidy(ies) from HUD are required to use Utility Allowances(UAs) approved by HUD. The applicant's use of the CUAC for Palm Villas at State (CA-26-498) is subject to approval by HUD.

CDLAC Analyst Comments: None.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

The applicant shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 25% 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.

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 reservation 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.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC resolution and the terms of the bond and tax credit award as presented in the application and summarized in this staff report. CTCAC will verify the project complied with all terms of the award at placed-in-service review.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

CA-26-498 / Palm Villas at State

Points System	Max. Possible		Points Requested	Points Awarded
	New Const.	Rehab.		
New Construction Density and Local Incentives	10	0	10	10
Project meets CDLAC § 5105(c)(1)	10	0	10	10
Exceeding Minimum Income Restrictions	20	20	20	20
Tax Credit Units: 10% @ <=30% AMI & 10% @ <=50% AMI	20	0	20	20
Exceeding Minimum Rent Restrictions	10	10	10	10
General Partner & Management Company	10	10	10	10
General Partner Experience	7	7	7	7
Management Company Experience	3	3	3	3
Housing Needs	10	0	10	10
Readiness to Proceed	10	10	10	10
Access to Opportunity	10	0	9	9
10% @ 30% AMI, 10% @ 50% AMI	9	0	9	9
Service Amenities	10	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES; NON-TARGETED				
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7	7
After school program for school age children, minimum of 6 hours/week	3	3	3	3
Cost Containment	12	12	12	12
Project eligible basis is 43% less than the CDLAC adjusted TBL; 1 pt per %	12	12	12	12
Site Amenities	10	10	10	10
Within 1/3 mile of transit station or public bus stop	4	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3	3
Within 1 mile of public library	2	2	2	2
Within 1/2 mile of medical clinic or hospital	3	3	3	3
Within 1 mile of a pharmacy	1	1	1	1
Total Points	112	102	111	111

Tie Breaker:

219.584%