

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 26, 2010

Project Number CA-2010-811

Project Name Palmdale Transit Village
 Site Address: 365/405 Q Street
 Palmdale, CA 93550 County: Los Angeles
 Census Tract: 9101.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,789,117	\$0
Recommended:	\$1,789,117	0

Applicant Information

Applicant: Palmdale TOD Apartments, LP
 Contact: Alexander Pratt
 Address: 1875 Century Park East, Suite 2150
 Los Angeles CA 90067
 Phone: (310) 589-2700 Fax: (310) 277-4330
 Email: apratt@phoenixrg.com

General partner(s) or principal owner(s): Better Housing Solutions, Inc.
 PRG Palmdale, GP LLC
 General Partner Type: Joint Venture
 Developer: Palmdale TOD Apartments, LP
 Investor: Phoenix Realty Group
 Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 156
 No. & % of Tax Credit Units: 154 100%
 Federal Set-Aside Elected: 40%/60% Test
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 17
 Number of Units @ or below 60% of area median income: 137

Information

Housing Type: Large Family
 Geographic Area: Los Angeles
 TCAC Project Analyst: Velia Martinez

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: 6/8/2010
 Credit Enhancement: N/A

Unit Mix

0 SRO/Studio Units
 42 1-Bedroom Units
 60 2-Bedroom Units
 54 3-Bedroom Units
 0 4-Bedroom Units

 156 Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	50%	50%	\$743
37 1 Bedroom	60%	57%	\$847
6 2 Bedrooms	50%	50%	\$892
52 2 Bedrooms	60%	56%	\$1,006
6 3 Bedrooms	50%	50%	\$1,030
48 3 Bedrooms	60%	60%	\$1,236
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,071

Project Financing

Estimated Total Project Cost: \$45,352,410 Construction Cost Per Square Foot: \$102
 Per Unit Cost: \$290,721

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
California Statewide Communities	\$23,000,000	California Statewide Communities	\$12,782,000
Palmdale Redevelopment Agency	\$5,975,000	Palmdale Redevelopment Agency	\$6,975,000
Dept. Housing & Community Dev. (IIG)	\$9,950,400	Dept. Housing & Community Dev. (IIG)	\$9,950,400
Tax Credit Equity	\$3,413,829	Developer Note	\$2,047,720
		Tax Credit Equity	\$13,597,290
		TOTAL	\$45,352,410

Determination of Credit Amount(s)

Requested Eligible Basis:	\$40,485,861
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$52,631,619
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$1,789,117
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor:	Phoenix Realty Group
Federal Tax Credit Factor:	\$0.76000

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:	\$40,485,861
Actual Eligible Basis:	\$40,485,861
Unadjusted Threshold Basis Limit:	\$38,427,084
Total Adjusted Threshold Basis Limit:	\$47,649,584

Adjustments to Basis Limit:

Parking Beneath Residential Units

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 7%

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 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 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: N/A.

Local Reviewing Agency:

The Local Reviewing Agency, City of Palmdale, 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
\$1,789,117

State Tax Credits/Total
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 an allocation 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 provide the tenants with after school programs and educational classes free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and

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 placed-in-service application is submitted:

The project is a New Construction or Adaptive Reuse Project exceeding Title 24 Energy Standards by at least 10%.

Energy Star rated ceiling fans in all bedrooms and living rooms; or use of a whole house fan; or use of an economizer cycle on mechanically cooled HVAC systems.

Either a) or b) as follows: a) flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or b) at least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit.

Project design incorporates the principles of Universal Design in at least half of the project's units by including: accessible routs of travel to the dwelling units with accessible 34" minimum clear-opening-width entry and interior doors with lever hardware and 42" minimum width hallways; accessible full bathroom on primary floor with 30"x 60" clearance parallel to the entry to 60" wide accessible showers with grab bars, anti-scald valves and lever faucet/shower handles, and reinforcement applied to walls around toilet for future grab bar installation; accessible kitchen with 30"x 48" clearance parallel to and centered on front of all major fixtures and appliances.