

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
December 11, 2024**

Palm Villas at Millennium, located at Gerald Ford Drive between Dinah Shore Drive and Technology Drive in Palm Desert on a 6.02 acre site, requested and is being recommended for a reservation of \$3,674,843 in annual federal tax credits and \$10,397,147 in total state tax credits and \$38,133,692 of tax-exempt bond cap to finance the new construction of 121 units of housing, consisting of 120 restricted rental units and 1 unrestricted manager's unit. The project will have 15 one-bedroom units, 75 two-bedroom units, and 31 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 June 2025 and be completed in August 2027. The project will be developed by D.L. Horn & Associates, LLC and will be located in Senate District 18 and Assembly District 47.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-24-600

Project Name Palm Villas at Millennium
Site Address: Gerald Ford Drive between Dinah Shore Drive and Technology Drive
Palm Desert, CA 92211
County: Riverside
Census Tract: 449.22

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$3,674,843	\$10,397,147
Recommended:	\$3,674,843	\$10,397,147

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

Tax-Exempt Bond Allocation
Recommended: \$38,133,692

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: CSCDA
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.

Development Team

General Partner(s) or Principal Owner(s): PC Gerald Ford Developers, LLC
 Kingdom AQ, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Palm Communities
 Kingdom Development, Inc.
 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: 121
 No. / % of Low Income Units: 120 100.00%
 Average Targeted Affordability: 43.05%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (120 Units - 100%) / American Rescue Plan Act (ARPA)

Information

Housing Type: Large Family
 Geographic Area: Inland Empire Region
 State Ceiling Pool: New Construction
 Set Aside: Homeless Set Aside
 Homeless Set Aside Units: 55
 CDLAC Project Analyst: Jake Salle
 CTCAC Project Analyst: Chris Saenz

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI:	60	50%
60% AMI:	60	50%

Unit Mix

15 1-Bedroom Units
75 2-Bedroom Units
<u>31 3-Bedroom Units</u>
121 Total Units

<u>Unit Type & Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	\$577
10 1 Bedroom	30%	\$577
45 2 Bedrooms	30%	\$658
30 2 Bedrooms	60%	\$1,294
7 3 Bedrooms	60%	\$1,438
23 3 Bedrooms	60%	\$1,598
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,050,937
Construction Costs	\$49,208,900
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,442,629
Soft Cost Contingency	\$500,000
Relocation	\$0
Architectural/Engineering	\$1,238,000
Const. Interest, Perm. Financing	\$7,161,619
Legal Fees	\$860,800
Reserves	\$719,371
Other Costs	\$3,486,545
Developer Fee	\$9,217,834
Commercial Costs	\$0
Total	\$76,886,635

Residential

Construction Cost Per Square Foot:	\$378
Per Unit Cost:	\$635,427
Estimated Hard Per Unit Cost:	\$351,041
True Cash Per Unit Cost*:	\$588,239
Bond Allocation Per Unit:	\$315,154
Bond Allocation Per Restricted Rental Unit:	\$317,781

Construction Financing

Source	Amount
Citibank: Tax-Exempt	\$38,133,692
Citibank: Taxable	\$11,823,249
County of Riverside: ARPA	\$6,700,000
Palm Desert Housing Authority	\$1,965,539
Deferred Costs	\$12,182,984
Tax Credit Equity	\$6,081,171

Permanent Financing

Source	Amount
Citibank: Tax Exempt	\$21,970,188
County of Riverside: ARPA	\$6,700,000
Palm Desert Housing Authority	\$1,965,539
Deferred Developer Fee	\$5,709,766
Tax Credit Equity	\$40,541,142
TOTAL	\$76,886,635

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

Requested Eligible Basis:	\$70,670,065
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$91,871,085
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,674,843
Total State Credit:	\$10,397,147
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,217,834
Federal Tax Credit Factor:	\$0.85991
State Tax Credit Factor:	\$0.85991

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 project will restrict 55 (46%) of the units to serve special needs tenants, consisting of homeless populations.

CDLAC Analyst Comments: 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.

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. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

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).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	10
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	120

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 110.000%