



COMMUNITY REDEVELOPMENT AGENCY STAFF REPORT

DATE: March 16, 2011

NEW BUSINESS

SUBJECT: APPROVE A RESOLUTION OF SUPPORT AND FINANCIAL COMMITMENT FOR A LOW INCOME HOUSING TAX CREDIT APPLICATION FOR AN ACQUISITION AND REHAB OF A 23-UNIT APARTMENT PROJECT AT 1433 AND 1455 NORTH INDIAN CANYON DRIVE IN MERGED PROJECT AREA NO. 1

FROM: David H. Ready, Executive Director

BY: Community and Economic Development

SUMMARY

Global Premier Development, Inc. of Irvine is pursuing this 9% Low Income Housing Tax Credit (LIHTC) project from the California Tax Credit Allocation Committee (TCAC) for a property at 1433 and 1455 North Indian Canyon Drive. It is 23 apartment units at the southwest corner of Stevens Road and Indian Canyon Drive. They had asked the Agency for a commitment by resolution of \$1,000,000 in a residual receipts loan, and are applying for HOME funds through the Riverside County Housing Authority in a similar amount. The LIHTC application deadline is March 23rd. This commitment is by resolution and does not include the Agreement, which will be drafted after a successful award of tax credits.

There is language in the resolution that if the Developer does not receive a tax credit allocation for the subject property by the end of 2011, the commitment will become void. In addition, while the Developer has asked that the Agency for a permanent commitment of \$1,000,000 toward the project, it has asked that the Agency commit up to \$1,500,000 in Agency set-aside funds to qualify the project for a higher tax credit "tie-breaker" score to ensure a successful application, with the requirement that the Developer apply for both HOME and AHP funds (through the Federal Home Loan Bank Board) to offset the additional \$500,000 Agency commitment beyond the \$1,000,000. While the County has expressed support for the project, it cannot respond formally to the Developer's request prior to the March 23 TCAC deadline. With the additional commitment by the Agency, the tie-breaker score would be 92, almost guaranteeing success. In the tight capital market, winning tie-breaker scores at TCAC have crept up from the mid-60's to the mid-high 80's.

The proposed rehab project will consist of 23 units and target the senior population of the City of Palm Springs. The project is very competitive because of the senior population and the proximity to the hospital, among other amenities. The unit mix will consist of 19 studio units, 3 one-bedroom units and 1 two-bedroom unit. Therefore this project will serve 26 unduplicated persons. Additionally, this project will be 100% affordable with rents between 30% - 60% area median income. The project will benefit the City by rehabbing an older apartment complex and providing 23 affordable housing units, and will transform this existing older property into a contemporary apartment complex assisting in the revitalization of the Uptown area. The proposed rehab project will consist of cosmetic exterior and major interior improvements to the existing apartment complex.

Major interior improvements will include ADA upgrades, HVAC, water heaters, new energy efficient appliances, new cabinets and countertops, new vinyl flooring and carpeting, and bathroom upgrades.

RECOMMENDATION:

1. Approve the attached Resolution supporting the Low Income Housing Tax Credit application and offering Agency support in an amount not to exceed \$1,500,000.
2. Authorize the Executive Director or his designee to execute all necessary documents.

STAFF ANALYSIS:

Global Premier Development, Inc. and its joint venture partners specialize in the development of Low Income Housing, under Section 42 of the Internal Revenue Code, and Tax Exempt Bond financing. GPD was incorporated in 2004 and has been instrumental in planning and developing almost 2,700 low income housing units throughout the state, and continues to pursue additional opportunities in markets in California, with project values amounting to nearly \$600 million in tax credits. GPD's management team have planned and developed over 3,400 low income and market rate units with values worth over \$397,900,000.

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Since the property is occupied, the Developer has hired Overland Pacific to undertake a relocation plan for the property in order to ensure the minimum amount of displacement

of existing tenants. Many of those living there today will income-qualify for the new units. The unit mix / rent level breakdown is as follows:

Unit size	AMI Level	Number of Units	Proposed Rents*
Studio	30%	2	341
Studio	40%	3	455
Studio	50%	6	568
Studio	60%	7	682
One-bedroom	30%	1	365
One-bedroom	40%	1	548
One-bedroom	60%	1	731
Two-bedroom	30%	1	438
Studio-Manager's Unit		1	

*Proposed rents are determined by the rents published by HUD and the utility allowances published by the local Housing Authority

The proposed project will benefit the City of Palm Springs by rehabbing an older apartment complex and providing 23 affordable housing units. The proposed rehab will transform this existing older property, into a contemporary apartment complex assisting in the revitalization of the City. The proposed rehab project will consist of cosmetic exterior and major interior improvements to the existing apartment complex. For the exterior, the building will receive a thorough power-washing, fresh paint, new shutters, new doors, new windows, and a new roof. A lift will be installed to assist residents in accessing the second floor of the two-story building. The surrounding property will be professionally landscaped adding to the overall décor and appearance of the development. Additionally, one of the existing pools would undergo rehabilitation, with the second being filled-in and incorporated into the overall landscape design which will include a barbeque and picnic area. Major interior improvements will include ADA upgrades, HVAC, water heaters, new energy efficient appliances, new cabinets and countertops, new vinyl flooring and carpeting, and bathroom upgrades.


Global Premier Development currently has site control of this property and will be submitting this project to the first round of CTCAC on March 23, 2011. Once receiving our CTCAC award on June 6, 2011, we will be 100% ready to begin the proposed project. At this point the conceptual designs would be given back to the architects to construct working drawings. Once those drawings are completed, the working plans will be submitted to the City for permits, if needed. If permits are required, we estimate approximately eight weeks for approval. Once started, the rehabilitation of this project will be completed within 16 weeks. The property management company will initiate the process of lease-up for tenants approximately six weeks prior to the completion of construction. Furthermore, we expect the project to be fully stabilized within 24 weeks of the construction start date.

FISCAL IMPACT:

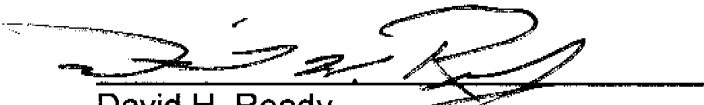
The Agency has the \$1,500,000 in fund balance of the Low-Mod Housing Fund. A successful application by the Developer for HOME or AHP funds, as expected, would decrease the Agency's commitment to \$1,000,000. At \$1,000,000 in commitment, the Agency's subsidy per restricted unit (22) would be \$45,454. Because the project is in a redevelopment project area, all of the units would count toward our housing production goals set under redevelopment law and reported to the State.



John Raymond, Director
Community and Economic Development



Thomas J. Wilson
Assistant City Manager



David H. Ready,
City Manager/Executive Director

Attachment: Resolution

Resolution No. _____

OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS, CALIFORNIA SUPPORTING AN APPLICATION BY GLOBAL PREMIER DEVELOPMENT, INC. TO THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE FOR 9% LOW INCOME HOUSING TAX CREDIT PROJECT FINANCING OF THE ACQUISITION AND REHABILITATION OF A 23-UNIT SENIOR APARTMENT PROJECT LOCATED AT 1433 & 1455 NORTH INDIAN CANYON DRIVE IN MERGED PROJECT AREA NO. 1, INCLUDING AGENCY FINANCIAL PARTICIPATION NOT TO EXCEED \$1,500,000 IN GAP FINANCING; AND TO DIRECT STAFF TO DRAFT AN OWNER PARTICIPATION AGREEMENT ("OPA")

WHEREAS, the Community Redevelopment Agency of the City of Palm Springs (the "Agency") has established an affordable housing setaside fund in accordance with Section 33000 et. seq. of the California Health and Safety Code; and

WHEREAS, the funds are earmarked for the acquisition, construction, or rehabilitation of affordable housing to benefit the community; and

WHEREAS, Global Premier Development ("Developer") has submitted a proposal for an affordable housing project to be redeveloped and converted to senior housing in collaboration with the Agency at 1433 and 1455 North Indian Canyon Drive in Merged Project Area No. 1; and

WHEREAS, the Developer will submit a Low Income Housing 9% Tax Credit (LIHTC) application to the California Tax Credit Allocation Committee for the March, 2011 application, and is required by this Resolution to apply for HOME funds through Riverside County and AHP funds through the Federal Home Loan Bank Board ("Soft Funds"); and

WHEREAS, the receipt of additional Soft Funds by the Developer shall reduce the Agency's commitment by that amount, but not below the amount of \$1,000,000; and

WHEREAS, the Developer will agree to restrict, through a Regulatory Agreement approved as an attachment to the OPA, the rents on 100% of the units to levels affordable to households with incomes no more than 60% of Area Median Income (AMI) for a period of 55 years; and

WHEREAS, the Owner Participation Agreement between the Agency and Developer shall be drafted after the Project has received a commitment of Tax Credits funds, and return to the Agency for approval; it shall provide for assistance by the

Agency to the Project in the form of subordinated loans to be repaid from Project revenues.

NOW, THEREFORE, BE IT RESOLVED, by the Community Development Agency of the City of Palm Springs, as follows:

1. The Agency hereby approves of the Developer' Application for a 9% Low Income Housing Tax Credit allocation through the California Tax Credit Allocation Committee.
2. The Developer shall apply for the first available round of HOME funds through Riverside County and AHP funds through the Federal Home Loan Bank Board to reduce the Agency's commitment to \$1,000,000.
3. The Agency offers its approval of a Note to the Developer on behalf of the Project, subject to the successful negotiation of an Owner Participation Agreement, in the amount of \$1,500,000 under terms described in Section 2. above and to be specified in the Owner Participation Agreement. The note amount would be reduced to \$1,000,000 pending the successful application for additional soft funding, and provides the Agency security for the Regulatory Agreement which contains the affordability provisions and other performance requirements; the interest on the Agency note shall be 1% simple interest, payable from residual receipts on the project; and the note shall be for a period of 55 years.
4. Agency staff is directed to bring an Owner Participation Agreement to the Agency containing the above terms upon a successful allocation of Tax Credits to the Developer.
5. The Executive Director is hereby authorized and directed, on behalf of the Agency, to execute all documents, including applications or letters of intent or commitment, related to the Project and the purposes of this Resolution.

ADOPTED THIS ____TH DAY OF MARCH, 2011.

David H. Ready, Executive Director

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on April 7, 2010, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California