

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 First Round

June 8, 2016

REVISED

Anchor Village, located at 601 N. Hunter Street in Stockton, requested and is being recommended for a reservation of \$1,553,369 in annual federal tax credits to finance the new construction of 50 units of housing serving special needs with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Domus Development, LLC and will be located in Senate District 5 and Assembly District 13.

The project will be receiving rental assistance in the form of a MHSA COSR. The project financing includes state funding from the AHSC program of HCD and MHSA through CalHFA.

Project Number CA-16-021

Project Name Anchor Village
Site Address: 601 N. Hunter Street
Stockton, CA 95202 County: San Joaquin
Census Tract: 1.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,553,369	\$0
Recommended:	\$1,553,369	\$0

Applicant Information

Applicant: Anchor Village Associates, L.P.
Contact: Monique Hastings
Address: 9 Cushing, Suite 200
Irvine, CA 92618
Phone: (949) 923-7805 Fax: (949) 585-0449
Email: mhastings@newportpartners.com

General Partner(s) / Principal Owner(s): Domus GP LLC
Community Resident Services, Inc.
General Partner Type: Joint Venture
Parent Company(ies): Domus Development, LLC
Community Resident Services, Inc.
Developer: Domus Development, LLC
Investor/Consultant: Alliant Capital, Ltd.
Management Agent(s): Domus Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 51
 No. & % of Tax Credit Units: 50 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Average Targeted Affordability of Special Needs/SRO Project Units: 35.60%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 14 25 %
 40% AMI: 15 30 %
 50% AMI: 21 40 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless, physical, mental, veteran preference
 % of Special Need Units: 25 units 50%
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

39 1-Bedroom Units
 12 2-Bedroom Units

 51 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 1 Bedroom	30%	24%	\$267
1 1 Bedroom	30%	30%	\$335
14 1 Bedroom	40%	40%	\$447
13 1 Bedroom	50%	50%	\$559
2 2 Bedrooms	30%	30%	\$402
1 2 Bedrooms	40%	40%	\$537
8 2 Bedrooms	50%	50%	\$671
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,093,649
Construction Costs	\$12,462,991
Rehabilitation Costs	\$0
Construction Contingency	\$623,150
Relocation	\$0
Architectural/Engineering	\$512,500
Construction Interest, Perm Financing	\$720,995
Legal Fees, Appraisals	\$115,000
Reserves	\$4,422,203
Other Costs	\$2,780,331
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$24,130,819

Project Financing

Estimated Total Project Cost:	\$24,130,819
Estimated Residential Project Cost:	\$24,130,819
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$241
Per Unit Cost:	\$473,153
Effective Per Unit Cost*:	\$458,532

Construction Financing

Source	Amount
US Bank	\$11,000,000
CalHFA - MHSA	\$1,447,523
HCD - AHSC Grant	\$1,804,064
City of Stockton	\$1,200,000
City of Stockton Fee Waivers	\$745,673
AG Spanos Land Loan	\$200,000
Deferred Costs During Construction	\$5,595,230
Tax Credit Equity	\$2,138,329

Permanent Financing

Source	Amount
CalHFA - MHSA	\$1,447,523
HCD - AHSC Loan	\$3,852,581
HCD - AHSC Grant	\$2,004,515
City of Stockton	\$1,200,000
City of Stockton Fee Waivers	\$745,673
AG Spanos Land Loan	\$200,000
Tax Credit Equity	\$14,680,527
TOTAL	\$24,130,819

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,276,656
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,259,652
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,553,369
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.94508

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:	\$13,276,656
Actual Eligible Basis:	\$17,216,792
Unadjusted Threshold Basis Limit:	\$9,327,258
Total Adjusted Threshold Basis Limit:	\$13,276,656

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% or more energy efficient than 2013 Energy Efficiency Standards as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	47.558%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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

The project has a MHSA capitalized operating subsidy for 20 years that covers 11 of the special needs units serving homeless/formerly homeless, and a capitalized operating reserve on the remaining 14 special needs units serving physical, mental, developmental disabilities.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, City of Stockton, 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
\$1,553,369	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs/SRO project within 1 mile of facility serving tenant pop.	2	2	0
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	0
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 15.0%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.