

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 13, 2017**

Hunter Street Apartments, located at 804 North Hunter Street and 226 E. Poplar street in Stockton, requested and is being recommended for a reservation of \$882,652 in annual federal tax credits to finance the new construction of 72 units of housing serving large families with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Visionary Builders of California Corporation and will be located in Senate District 5 and Assembly District 13.

The project financing includes state funding from the Affordable Housing Sustainable Communities program of HCD.

**Project Number** CA-17-819

**Project Name** Hunter Street Apartments  
Site Address: 804 North Hunter Street and 226 E. Poplar Street  
Stockton, CA 95202 County: San Joaquin  
Census Tract: 4.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$882,652	\$0
Recommended:	\$882,652	\$0

**Applicant Information**

Applicant: Vision 17, L.P.  
Contact: Carol J. Ornelas  
Address: 315 N. San Joaquin Street  
Stockton, CA 95202  
Phone: (209) 466-6811 Fax: (209) 466-3465  
Email: cornelas@visionaryhomebuilders.com

General Partner(s) or Principal Owner(s): Vision 17 GP, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): Visionary Home Builders of California, Inc.  
Developer: Visionary Builders of California Corporation  
Investor/Consultant: WNC & Associates  
Management Agent: Visionary Property Management, Inc.

**Project Information**

Construction Type: New Construction / Adaptive Reuse  
 Total # Residential Buildings: 1  
 Total # of Units: 74  
 No. & % of Tax Credit Units: 72 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 35  
 Number of Units @ or below 60% of area median income: 37

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: June 1, 2018  
 Credit Enhancement: None

**Information**

Housing Type: Large Family  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Carmen Doonan

**Unit Mix**

6 SRO/Studio Units  
 22 1-Bedroom Units  
 22 2-Bedroom Units  
 24 3-Bedroom Units  


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 74 Total Units

<b>Unit Type &amp; Number</b>	<b>2017 Rents Targeted % of Area Median Income</b>	<b>2017 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
6 SRO/Studio	50%	50%	\$535
9 1 Bedroom	50%	50%	\$573
12 1 Bedroom	60%	60%	\$687
10 2 Bedrooms	50%	50%	\$687
11 2 Bedrooms	60%	60%	\$825
10 3 Bedrooms	50%	50%	\$794
14 3 Bedrooms	60%	60%	\$953
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$8,725,200

**Project Cost Summary at Application**

Land and Acquisition	\$2,172,924
Construction Costs	\$13,421,740
Rehabilitation Costs	\$0
Construction Contingency	\$1,050,000
Relocation	\$0
Architectural/Engineering	\$645,000
Const. Interest, Perm. Financing	\$971,650
Legal Fees, Appraisals	\$162,000
Reserves	\$309,697
Other Costs	\$1,278,045
Developer Fee	\$2,779,191
Commercial Costs	\$0
<b>Total</b>	<b>\$22,790,247</b>

**Project Financing**

Estimated Total Project Cost:	\$22,790,247
Estimated Residential Project Cost:	\$22,790,247
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$164
Per Unit Cost:	\$307,976
True Cash Per Unit Cost*:	\$283,365

**Construction Financing**

Source	Amount
Citi Community Capital	\$17,487,476
City of Stockton	\$2,000,000
Deferred Developer Fee	\$503,996
Deferred Reserves	\$309,697
Tax Credit Equity	\$2,489,078

**Permanent Financing**

Source	Amount
Citi Community Capital	\$1,730,713
City of Stockton	\$2,000,000
AHSC Loan	\$8,228,370
AHSC Grant	\$713,000
Deferred Developer Fee	\$1,821,238
Tax Credit Equity	\$8,296,926
<b>TOTAL</b>	<b>\$22,790,247</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$19,504,608
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,802,525
Applicable Fraction:	100.00%
Qualified Basis (New Construction):	\$25,355,990
Qualified Basis (Acquisition):	\$1,802,525
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$824,070
Maximum Annual Federal Credit, Acquisition:	\$58,582
Total Maximum Annual Federal Credit:	\$882,652
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,779,191
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.94000

Per Regulation Section 10327(c)(6), 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:	\$21,307,133
Actual Eligible Basis:	\$21,307,133
Unadjusted Threshold Basis Limit:	\$21,256,824
Total Adjusted Threshold Basis Limit:	\$38,388,188

**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

Local Development Impact Fees

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: 48%

**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 3.25% of the qualified basis. 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**

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The required TCAC training for the management company has been completed and the certification of completion has been received by TCAC.

This project is an adaptive reuse of an existing office building. After construction, the project will contain one three-story building with a unit mix of 6 studio units, 21 one-bedroom/one bath units, 21 two-bedroom/one bath units, and 24 three-bedroom/two bath units; two additional units, 1 one-bedroom and 1 two-bedroom unit will be designated for on-site management. A portion of the first floor will be occupied by a behavioral health group.

**Local Reviewing Agency**

The Local Reviewing Agency, the 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$882,652</b>	<b>\$0</b>

**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 a reservation 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:** N/A