

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

Sierra Vista II Apartments, located at the corner of Phelps and Arriba in Stockton, requested and is being recommended for a reservation of \$2,498,830 in annual federal tax credits to finance the new construction of 99 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Central California Housing Corporation and will be located in Senate District 5 and Assembly District 13.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD Low-Income Public Housing (LIPH) Annual Contribution Contract (ACC).

**Project Number** CA-18-067

**Project Name** Sierra Vista II Apartments  
**Site Address:** Corner of Phelps and Arriba  
Stockton, CA 95206 County: San Joaquin  
**Census Tract:** 22.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,498,830	\$0
Recommended:	\$2,498,830	\$0

**Applicant Information**

**Applicant:** Central California Housing Corporation  
**Contact:** Laurie Doyle  
**Address:** 3128 Willow Avenue, Suite 101  
Clovis, CA 93612  
**Phone:** 559-292-9212  
**Email:** Ldoyle@ahdcinc.com

**General Partner(s) / Principal Owner(s):** Central California Housing Corporation  
Delta Community Developers Corp.

**General Partner Type:** Joint Venture

**Parent Company(ies):** Central California Housing Corporation  
Housing Authority of the County of San Joaquin

**Developer:** Central California Housing Corporation

**Investor/Consultant:** R4 Capital

**Management Agent(s):** WinnResidential

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 16  
 Total # of Units: 100  
 No. & % of Tax Credit Units: 99 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (84 units / 85%) / HUD LIPH Annual Contribution Contract (15 units / 15%)

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Diane SooHoo

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	15 15%
At or Below 40% AMI:	23 20%
At or Below 50% AMI:	61 40%

**Unit Mix**

24 1-Bedroom Units  
 28 2-Bedroom Units  
 30 3-Bedroom Units  
 18 4-Bedroom Units  


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 100 Total Units

<u>Unit Type &amp; Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$358
6 2 Bedrooms	30%	30%	\$430
4 3 Bedrooms	30%	30%	\$496
2 4 Bedrooms	30%	30%	\$553
4 1 Bedroom	40%	40%	\$478
7 2 Bedrooms	40%	40%	\$574
10 3 Bedrooms	40%	40%	\$662
2 4 Bedrooms	40%	40%	\$738
17 1 Bedroom	50%	50%	\$597
15 2 Bedrooms	50%	50%	\$717
15 3 Bedrooms	50%	50%	\$828
14 4 Bedrooms	50%	50%	\$923
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$34,281,060

**Project Cost Summary at Application**

Land and Acquisition	\$4,254,270
Construction Costs	\$21,298,229
Rehabilitation Costs	\$0
Construction Contingency	\$1,118,625
Relocation	\$800,000
Architectural/Engineering	\$1,025,000
Const. Interest, Perm. Financing	\$2,721,679
Legal Fees, Appraisals	\$280,000
Reserves	\$293,660
Other Costs	\$2,021,500
Developer Fee	\$2,721,945
Commercial Costs	\$0
<b>Total</b>	<b>\$36,534,908</b>

**Residential**

Construction Cost Per Square Foot:	\$200
Per Unit Cost:	\$365,349
True Cash Per Unit Cost*:	\$360,065

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$25,884,095
HACCSJ <sup>1</sup> Ground Lease	\$3,180,000
HACCSJ <sup>1</sup>	\$3,000,000
City of Stockton HOME	\$1,200,000
City of Stockton Fee Waiver	\$528,403
Deferred Costs	\$543,659
Tax Credit Equity	\$2,198,751

**Permanent Financing**

Source	Amount
JLL Capital Markets	\$6,639,000
HACCSJ <sup>1</sup> Ground Lease	\$3,180,000
HACCSJ <sup>1</sup>	\$3,000,000
City of Stockton HOME	\$1,200,000
City of Stockton Fee Waiver	\$528,403
Tax Credit Equity	\$21,987,505
<b>TOTAL</b>	<b>\$36,534,908</b>

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

<sup>1</sup>Housing Authority County of San Joaquin

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,357,522
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,764,779
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,498,830
Approved Developer Fee in Project Cost:	\$2,721,945
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	\$0.87991

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$21,357,522
Actual Eligible Basis:	\$28,038,785
Unadjusted Threshold Basis Limit:	\$30,633,348
Total Adjusted Threshold Basis Limit:	\$37,286,023

**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

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>54.744%</b>

**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, 3.25%. 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.

**Significant Information / Additional Conditions**

The property site is currently improved with multifamily apartment buildings. These buildings are an existing public housing property consisting of 57 Low Income Public Housing (LIPH) Units. These LIPH units are in poor condition and will be demolished for the new construction of 99 Tax Credit Units consisting of 84 units receiving Section 8 Project-based Vouchers, 15 replacement LIPH units, and a manager's unit.

This project is the second phase of a larger development, Phase 1 is Sierra Vista I Apartments (CA-17-053). Both phases are under the control of Central California Housing Corporation and will share community facilities. Services to be provided to tenants at Phase 2 are separate from services provided for Phase 1. Prior to the start of construction, all necessary agreements shall be in place to ensure that Phase II has sufficient access to the required space. The Joint Use Agreement shall be provided in the placed in service submission.

Staff noted that the preliminary architectural drawings lacks detailed description of suitable play area for children ages 13-17. The applicant is cautioned that outdoor play/recreational space must be constructed with appropriate amenities suitable for children ages 13-17 pursuant to TCAC Regulations 10325(g)(1)(D).

**Resyndication and Resyndication Transfer Event:** None.

**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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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 fifteen 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)(5) 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/8 mile of transit, service every 30 minutes in rush hours	6	6	6
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/4 mile of public elementary school	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**