

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2019 First Round**

**June 12, 2019**

Stonegate Village Phase II, located at Walnut Avenue and North 1st Street in Patterson, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 71 units of housing serving large families with rents affordable to households earning 30-60% AMI of area median income (AMI). The project will be developed by Self-Help Enterprises and will be located in Senate District 12 and Assembly District 21.

**Project Number** CA-19-036

**Project Name** Stonegate Village Phase II  
**Site Address:** Walnut Avenue and North 1st Street  
Patterson, CA 95363 County: Stanislaus  
**Census Tract:** 32.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

**Applicant Information**

**Applicant:** Self-Help Enterprises  
**Contact:** Betsy McGovern-Garcia  
**Address:** 8445 W. Elowin Court (Mailing: P.O. Box 6520)  
Visalia, CA 93290  
**Phone:** (559) 802--1653  
**Email:** betsyg@selfhelpenterprises.org

**General Partner(s) / Principal Owner(s):** Self-Help Enterprises  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Self-Help Enterprises  
**Developer:** Self-Help Enterprises  
**Investor/Consultant:** Community Economics  
**Management Agent(s):** AWI Management Corporation

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 12  
**Total # of Units:** 72  
**No. & % of Tax Credit Units:** 71 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Utility Allowance:** CUAC

**Information**

Set-Aside: Rural  
 Housing Type: Large Family  
 Geographic Area: N/A  
 TCAC Project Analyst: Marlene McDonough

**55-Year Use / Affordability**

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	8	10%
At or Below 50% AMI (Rural):	23	30%
At or Below 60% AMI:	40	55%

**Unit Mix**

24 1-Bedroom Units
24 2-Bedroom Units
24 3-Bedroom Units
<b>72 Total Units</b>

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	30%	30%	\$341
8 1 Bedroom	50%	50%	\$569
14 1 Bedroom	60%	60%	\$683
3 2 Bedrooms	30%	30%	\$410
7 2 Bedrooms	50%	50%	\$683
14 2 Bedrooms	60%	60%	\$820
3 3 Bedrooms	30%	30%	\$473
8 3 Bedrooms	50%	50%	\$789
12 3 Bedrooms	60%	60%	\$947
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$515,000
Construction Costs	\$17,625,000
Rehabilitation Costs	\$0
Construction Contingency	\$1,396,875
Relocation	\$0
Architectural/Engineering	\$600,000
Const. Interest, Perm. Financing	\$1,917,586
Legal Fees	\$120,000
Reserves	\$133,637
Other Costs	\$2,206,162
Developer Fee	\$1,800,000
Commercial Costs	\$0
<b>Total</b>	<b>\$26,314,259</b>

**Residential**

Construction Cost Per Square Foot:	\$259
Per Unit Cost:	\$365,476
True Cash Per Unit Cost*:	\$360,267

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$22,325,123	CCRC	\$2,326,000
Tax Credit Equity	\$2,375,000	Deferred Developer Fee	\$375,000
		General Partner Equity	\$5,759
		Tax Credit Equity	\$23,607,500
		<b>TOTAL</b>	<b>\$26,314,259</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,367,521
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,778
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$1,800,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.94430

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:	\$21,367,521
Actual Eligible Basis:	\$24,329,905
Unadjusted Threshold Basis Limit:	\$21,549,096
Total Adjusted Threshold Basis Limit:	\$23,409,648

**Adjustments to Basis Limit**

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>51.045%</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 meet or 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, 3.30%. 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**

A 138 unit application was submitted as a hybrid application serving large families. The hybrid project is comprised of a 9% component (CA-19-036) consisting of 71 low-income units and a manager unit, and a 4% component (CA-19-456) consisting of 65 low-income units and a manager unit. All units in the project will have access to a community building and common site amenities including the community room, laundry facilities, computer lab, picnic area, and playground. The two phases of Stonegate Village will also share the central management office. Prior to the start of construction, all necessary agreements shall be in place to ensure that both components have property management and access to the required community spaces. A Joint Use Agreement shall be provided in the placed in service submission.

Preliminary architectural drawings failed to clearly identify the square footage total of the tot lot. The minimum square footage is 600 square feet and must include an accessible entrance point. For projects with more than 100 total units this square footage shall be increased by 5 square feet for each additional unit. Outdoor play/recreational space must be equipped with reasonable play equipment for the size of the project, and the surface must be natural or synthetic protective material. In addition, the minimum number of washers and dryers was not confirmed. Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 10 units upon completion of the project (14 washers and 14 dryers for the hybrid project). These requirements must be met pursuant to TCAC Regulation section 10325(g)(1) and documented in the placed in service submission.

**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, The City of Patterson, has completed a site review of this project and strongly supports this project.

**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 ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 2 miles of public library	2	2	2
Within 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Walnut Grove Elementary School	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
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>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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
Smoke Free Residence	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.**