CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 12, 2019

Stonegate Village Phase I, located at Walnut Avenue and North 1st Street in Patterson, requested and is being recommended for a reservation of $832,881 in annual federal tax credits to finance the new construction of 65 units of housing serving large families with rents affordable to households earning 30-50% 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.

The project financing includes state funding from the AHSC program of HCD.

Project Number	CA-19-456
Project Name	Stonegate Village Phase I
Site Address:	Walnut Avenue and North 1st Street
	Patterson, CA 95363 County: Stanislaus
Census Tract:	32.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$832,881	$0
Recommended:	$832,881	$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) or 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:	AWI Management Corporation

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	11	
Total # of Units:	66	
No. / % of Low Income Units:	65	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
Utility Allowance:	CUAC	

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	November 1, 2019

Information

Housing Type:	Large Family
Geographic Area:	Central Valley Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	14	22%
45% AMI:	30	46%
50% AMI:	21	32%

Unit Mix

22	1-Bedroom Units
22	2-Bedroom Units
22	3-Bedroom Units
66	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	30%	30%	$341
11	1 Bedroom	45%	45%	$512
7	1 Bedroom	50%	50%	$569
5	2 Bedrooms	30%	30%	$410
10	2 Bedrooms	45%	45%	$615
7	2 Bedrooms	50%	50%	$683
5	3 Bedrooms	30%	30%	$473
9	3 Bedrooms	45%	45%	$710
7	3 Bedrooms	50%	50%	$789
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$495,000
Construction Costs	$12,804,092
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$747,872
Soft Cost Contingency	$75,000
Relocation	$0
Architectural/Engineering	$600,000
Const. Interest, Perm. Financing	$1,546,089
Legal Fees	$75,000
Reserves	$95,911
Other Costs	$1,956,985
Developer Fee	$2,508,000
Commercial Costs	$0
Total	**$20,903,949**

Residential

Construction Cost Per Square Foot:	$216
Per Unit Cost:	$316,727
True Cash Per Unit Cost*:	$313,620

Construction Financing

Source	Amount
Wells Fargo Bank	$16,607,525
Valley Air Loan	$492,489
AHP	$660,000
General Partner Equity	$123,300
Tax Credit Equity	$816,224

Permanent Financing

Source	Amount
HCD AHSC Loan	$10,248,722
Valley Air Loan	$492,489
AHP	$660,000
Deferred Developer Fee	$205,000
General Partner Equity	$1,233,000
Tax Credit Equity	$8,064,738
TOTAL	**$20,903,949**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$19,414,486
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$25,238,832
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$832,881
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,508,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$0.96829

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, 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. 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:	$19,414,486
Actual Eligible Basis:	$19,414,486
Unadjusted Threshold Basis Limit:	$22,598,708
Total Adjusted Threshold Basis Limit:	$51,422,664

Adjustments to Basis Limit

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 78%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 42%

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 3.30% 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.

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.

For the housing type requirement, 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.

The application must score maximum points in the lowest income category independently or in combination with the 9% project.

The applicant/owner is required to provide the tenants with adult education, health and wellness, or skill building classes, minimum of 84 hours per year and an after school program for school age children, minimum of 10 hours per week, free of charge for a minimum of fifteen (15) years. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and TCAC.

The project is required to become certified under GreenPoint Rated and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted.

Resyndication and Resyndication Transfer Event: None

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.

CDLAC Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program off-site within 1/2 mile for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under Leadership in Energy & Environmental Design (LEED); Green Communities / Passive House Institute US (PHIUS) / Passive House / Living Building Challenge / GreenPoint Rated Multifamily Guidelines / WELL
- The project will provide energy efficiency with renewable energy that offsets 40% of project tenants' energy load