

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report

### 2019 Second Round

September 25, 2019

Liberty Square, located at 804 North Hunter Street and 226 E. Poplar Street in Stockton, requested and is being recommended for a reservation of \$1,385,027 in annual federal tax credits to finance the new construction of 30 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Visionary Home Builders of California, Inc. and will be located in Senate District 5 and Assembly District 13.

**Project Number** CA-19-078

**Project Name** Liberty Square  
**Site Address:** 804 North Hunter Street and 226 E. Poplar Street  
Stockton, CA 95202 County: San Joaquin  
**Census Tract:** 4.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,385,027	\$0
Recommended:	\$1,385,027	\$0

#### Applicant Information

**Applicant:** Vision 19, LP  
**Contact:** Carol J. Ornelas  
**Address:** 315 N. San Joaquin Street  
Stockton, CA 95202  
**Phone:** (209) 466-6811  
**Email:** cornelas@visionaryhomebuilders.com

**General Partner(s) / Principal Owner(s):** Vision 19 GP, LLC  
Visionary Home Builders of California, Inc.  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Visionary Home Builders of California, Inc.  
Visionary Home Builders of California, Inc.  
**Developer:** Visionary Home Builders of California, Inc.  
**Investor/Consultant:** Red Stone Equity Partners  
**Management Agent(s):** Visionary Property Management Group

#### Project Information

**Construction Type:** New Construction  
**Total # Residential Buildings:** 1  
**Total # of Units:** 31  
**No. & % of Tax Credit Units:** 30 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Utility Allowance:** CUAC

**Information**

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

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	3	10%
At or Below 40% AMI:	8	25%
At or Below 50% AMI:	8	25%
At or Below 60% AMI:	11	35%

**Unit Mix**

1 SRO/Studio Units
4 1-Bedroom Units
16 2-Bedroom Units
10 3-BedroomUnits
<b>31 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 1 Bedroom	30%	30%	\$393
2 2 Bedrooms	30%	30%	\$472
1 3 Bedrooms	30%	30%	\$546
1 SRO/Studio	40%	40%	\$490
1 1 Bedroom	40%	40%	\$525
6 2 Bedrooms	40%	40%	\$630
3 3 Bedrooms	50%	40%	\$728
2 1 Bedroom	50%	50%	\$656
3 2 Bedrooms	50%	50%	\$787
3 3 Bedrooms	60%	50%	\$910
4 2 Bedrooms	60%	57%	\$900
3 3 Bedrooms	60%	60%	\$1,092
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$846,876
Construction Costs	\$8,302,052
Rehabilitation Costs	\$0
Construction Contingency	\$875,350
Relocation	\$0
Architectural/Engineering	\$272,360
Const. Interest, Perm. Financing	\$762,440
Legal Fees	\$91,081
Reserves	\$106,360
Other Costs	\$543,901
Developer Fee	\$1,653,015
Commercial Costs	\$0
<b>Total</b>	<b>\$13,453,435</b>

**Residential**

Construction Cost Per Square Foot:	\$255
Per Unit Cost:	\$433,982
True Cash Per Unit Cost*:	\$409,691

**Construction Financing**

Source	Amount
Banner Bank	\$9,856,000
Deferred Costs	\$1,817,713
Deferred Developer Fee	\$753,015
Tax Credit Equity	\$1,026,707

**Permanent Financing**

Source	Amount
Banner Bank	\$417,000
Deferred Developer Fee	\$753,015
Tax Credit Equity	\$12,283,420
<b>TOTAL</b>	<b>\$13,453,435</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$11,837,837
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,389,188
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,385,027
Approved Developer Fee in Project Cost:	\$1,653,015
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.88687

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:	\$11,837,837
Actual Eligible Basis:	\$11,837,837
Unadjusted Threshold Basis Limit:	\$9,482,747
Total Adjusted Threshold Basis Limit:	\$12,537,212

#### **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

#### **Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>57.162%</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**

This project involves the conversion of a vacant 3-story office building into a tax credit project for large families. Residential square footage is estimated to be 63,000 square feet. Common space for amenities, which include an onsite child care facility, community room, and computer lab totals approximately 11,700 square feet.

This 74 unit application was submitted as a hybrid application serving large families. The project is comprised of a 9% component (CA-19-078) consisting of 31 units and a 4% component (CA-19-516) consisting of 43 units. All units in the project will have access to community rooms, outdoor play areas, a computer room, licensed childcare center and service coordinator.

**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, City of Stockton, 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 ¼ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Licensed child care, available 20 hrs/week or more, M-F	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	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.**