

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 16, 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 \$717,695 in annual federal tax credits to finance the new construction of 42 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.

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

Project Number CA-19-516

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

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$717,695	\$0
Recommended:	\$717,695	\$0

Applicant Information

Applicant: Vision 17, LP
Contact: Paul Ainger
Address: 315 N. San Joaquin Street
Stockton, CA 95202
Phone: (209) 461-2135
Email: painger@visionaryhomebuilders.org

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 Home Builders of California, Inc.
Investor/Consultant: Red Stone Equity Partners
Management Agent: Visionary Property Management Group

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 43
No. / % of Low Income Units: 42 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / CHDO-HOME / NSP
Utility Allowance: CUAC

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: January 1, 2020

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 5	12%
40% AMI: 12	29%
50% AMI: 14	33%
60% AMI: 11	26%

Unit Mix

5 SRO/Studio Units
16 1-Bedroom Units
9 2-Bedroom Units
13 3-Bedroom Units
<u>43 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$393
1 2 Bedrooms	30%	30%	\$472
2 3 Bedrooms	30%	30%	\$546
2 SRO/Studio	40%	40%	\$490
3 1 Bedroom	40%	40%	\$525
3 2 Bedrooms	40%	40%	\$630
4 3 Bedrooms	40%	40%	\$728
2 SRO/Studio	50%	50%	\$612
5 1 Bedroom	50%	50%	\$656
4 2 Bedrooms	50%	50%	\$787
3 3 Bedrooms	50%	50%	\$910
1 SRO/Studio	60%	60%	\$735
6 1 Bedroom	60%	60%	\$787
4 3 Bedrooms	60%	60%	\$1,092
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,180,510
Construction Costs	\$11,515,750
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$996,290
Soft Cost Contingency	\$217,905
Relocation	\$0
Architectural/Engineering	\$377,790
Const. Interest, Perm. Financing	\$1,143,828
Legal Fees	\$153,108
Reserves	\$147,652
Other Costs	\$684,858
Developer Fee	\$2,182,107
Commercial Costs	\$0
Total	\$18,599,798

Residential

Construction Cost Per Square Foot:	\$251
Per Unit Cost:	\$432,553
True Cash Per Unit Cost*:	\$399,319

Construction Financing

Source	Amount
Banner Bank - T.E. Bonds	\$13,527,000
City of Stockton NSP	\$2,000,000
City of Stockton CHDO-HOME	\$849,000
Accrued Interest	\$82,365
Deferred Costs	\$312,507
Deferred Developer Fee	\$1,429,092
Tax Credit Equity	\$399,834

Permanent Financing

Source	Amount
Banner Bank - T.E. Bonds	\$228,000
HCD - AHSC	\$7,493,752
City of Stockton NSP	\$2,000,000
City of Stockton CHDO-HOME	\$849,000
Accrued Interest	\$82,365
Deferred Developer Fee	\$1,429,092
Tax Credit Equity	\$6,517,589
TOTAL	\$18,599,798

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,729,487
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,748,334
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$717,695
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,182,107
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.90813

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:	\$16,729,487
Actual Eligible Basis:	\$16,729,487
Unadjusted Threshold Basis Limit:	\$14,041,678
Total Adjusted Threshold Basis Limit:	\$30,480,391

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
- Day Care Center
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 61%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 22%

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

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.

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.