

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
September 16, 2020**

St. Stephen's Retirement Center, located at 5625 Imperial Avenue in San Diego, requested and is being recommended for a reservation of \$582,599 in annual federal tax credits to finance the acquisition and rehabilitation of 59 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by St. Stephen's Retirement Center, Inc. and is located in Senate District 40 and Assembly District 79.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-20-642  
**Project Name** St. Stephen's Retirement Center  
**Site Address:** 5625 Imperial Avenue  
San Diego, CA 92114 County: San Diego  
**Census Tract:** 31.11

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$582,599	\$0
Recommended:	\$582,599	\$0

**Applicant Information**

**Applicant:** CRP St. Stephen's Apartments, L.P.  
**Contact:** George McKinney  
**Address:** 5625 Imperial Avenue  
San Diego, CA 92114  
**Phone:** (619) 517-6729  
**Email:** betterlifetechnologies@gmail.com  
**General Partner(s) or Principal Owner(s):** St. Stephen's Retirement Center, Inc.  
CRP St. Stephen's Apartments AGP LLC  
**General Partner Type:** Non-profit  
**Parent Company(ies):** St. Stephen's Retirement Center, Inc.  
CRP Affordable REIT LLC  
**Developer:** St. Stephen's Retirement Center, Inc.  
**Investor/Consultant:** Richman Capital  
**Management Agent:** Hallmark Asset Management

**Project Information**

**Construction Type:** Acquisition & Rehabilitation  
**Total # Residential Buildings:** 1  
**Total # of Units:** 60  
**No. / % of Low Income Units:** 59 100.00%  
**Federal Set-Aside Elected:** 40%/60% Average Income  
**Federal Subsidy:** Tax-Exempt / HUD Section 8 Project Based Vouchers (59 units - 100%)

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: November 30, 2020

**Information**

Housing Type: Seniors  
 Geographic Area: San Diego County  
 TCAC Project Analyst: Ruben Barcelo

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 59	100%

**Unit Mix**

15 SRO/Studio Units
<u>45 1-Bedroom Units</u>
60 Total Units

<u>Unit Type &amp; Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
15 SRO/Studio	50%	20%	\$407
44 1 Bedroom	50%	19%	\$407
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,300,000
Construction Costs	\$0
Rehabilitation Costs	\$5,820,120
Construction Hard Cost Contingency	\$582,012
Soft Cost Contingency	\$94,917
Relocation	\$165,000
Architectural/Engineering	\$187,500
Const. Interest, Perm. Financing	\$1,316,203
Legal Fees	\$232,500
Reserves	\$135,617
Other Costs	\$280,926
Developer Fee	\$1,945,810
Commercial Costs	\$0
<b>Total</b>	<b><u>\$17,060,605</u></b>

**Residential**

Construction Cost Per Square Foot:	\$158
Per Unit Cost:	\$284,343
True Cash Per Unit Cost*:	\$173,074

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$8,625,924	Citibank	\$3,879,490
Seller Carryback	\$6,300,000	Seller Carryback	\$6,300,000
Carryback Loan Accrued Interest	\$567,000	Carryback Loan Accrued Interest	\$567,000
Income from Operations	\$258,154	Income from Operations	\$258,154
Deferred Costs	\$1,025,539	Forgone Developer Fee	\$194,581
Tax Credit Equity	\$283,988	Deferred Developer Fee	\$181,612
		Tax Credit Equity	\$5,679,768
		<b>TOTAL</b>	<b>\$17,060,605</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$10,217,873
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,700,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$13,283,235
Qualified Basis (Acquisition):	\$4,700,000
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$430,319
Maximum Annual Federal Credit, Acquisition:	\$152,280
Total Maximum Annual Federal Credit:	\$582,599
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,945,810
Investor/Consultant:	Richman Capital
Federal Tax Credit Factor:	\$0.97490

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:	\$14,917,873
Actual Eligible Basis:	\$14,917,873
Unadjusted Threshold Basis Limit:	\$17,120,040
Total Adjusted Threshold Basis Limit:	\$39,376,092

**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.

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: 100%

**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 3.24% 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:** None.

**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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.