

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 9, 2020

Casa Manana, located at 3700 North Sutter Street in Stockton, requested and is being recommended for a reservation of \$658,499 in annual federal tax credits to finance the acquisition and rehabilitation of 161 units of housing serving seniors with rents affordable to households earning 20-40% of area median income (AMI). The project will be developed by Domus Development, LLC and is located in Senate District 5 and Assembly District 13.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the MHP program of HCD.

Project Number	CA-20-686		
Project Name	Casa Manana		
Site Address:	3700 North Sutter Street		
	Stockton, CA 95204	County: San Joaquin	
Census Tract:	14.00		

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$658,499	\$0
Recommended:	\$658,499	\$0

Applicant Information

Applicant:	Casa Manana Inn, L.P.
Contact:	Monique Hastings
Address:	9 Cushing, Suite 200 Irvine, CA 92618
Phone:	(949) 923-7805
Email:	mhastings@newportpartners.com

General Partner(s) or Principal Owner(s):	Domus GP LLC Stockton YMI Elderly Housing
General Partner Type:	Joint Venture
Parent Company(ies):	Domus Development, LLC Stockton YMI Elderly Housing
Developer:	Domus Development, LLC
Investor/Consultant:	Alliant Capital, Ltd.
Management Agent:	Domus Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 163
 No. / % of Low Income Units: 161 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / Project-based Vouchers (100 units - 62%) / HOME

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: April 1, 2021

Information

Housing Type: Seniors
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
20% AMI: 74	46%
30% AMI: 26	16%
40% AMI: 61	38%

Unit Mix

137 SRO/Studio Units
25 1-Bedroom Units
1 3-Bedroom Units
<u>163 Total Units</u>

<u>Unit Type & 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>
66 SRO/Studio	20%	20%	\$262
8 1 Bedroom	20%	20%	\$281
24 SRO/Studio	30%	30%	\$393
2 1 Bedroom	30%	30%	\$421
47 SRO/Studio	40%	40%	\$525
14 1 Bedroom	40%	40%	\$562
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,810,000
Construction Costs	\$0
Rehabilitation Costs	\$9,513,437
Construction Hard Cost Contingency	\$1,076,144
Soft Cost Contingency	\$71,966
Relocation	\$500,000
Architectural/Engineering	\$532,315
Const. Interest, Perm. Financing	\$1,185,788
Legal Fees	\$90,000
Reserves	\$676,262
Other Costs	\$572,451
Developer Fee	\$1,986,691
Commercial Costs	\$0
Total	\$22,015,054

Residential

Construction Cost Per Square Foot:	\$101
Per Unit Cost:	\$135,062
True Cash Per Unit Cost*:	\$99,724.26

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$12,375,000
City of Stockton HOME	\$405,000
Stockton YMI Elderly Housing	\$5,760,000
Deferred Costs	\$567,758
Tax Credit Equity	\$2,907,296

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$1,450,000
HCD - MHP	\$8,400,000
City of Stockton HOME	\$450,000
GP Seller Takeback Loan	\$5,760,000
Deferred Developer Fee	\$90,462
Tax Credit Equity	\$5,864,592
TOTAL	\$22,015,054

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$14,587,233
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$5,843,770
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$14,587,233
Qualified Basis (Acquisition):	\$5,843,770
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$469,161
Maximum Annual Federal Credit, Acquisition:	\$189,338
Total Maximum Annual Federal Credit:	\$658,499
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,986,691
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.89060

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:	\$20,431,003
Actual Eligible Basis:	\$20,431,003
Unadjusted Threshold Basis Limit:	\$43,768,538
Total Adjusted Threshold Basis Limit:	\$127,366,446

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: 37%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 124%

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

Applicant requested and received a waiver to the requirements set forth in Section 10325(f)(7) Paragraph (K). With regard to the mobility requirements, the project must meet all applicable California Building Code requirements.

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.