

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 Second Round

October 20, 2021

Sonora Square located at 401 South El Dorado and 2 East Sonora Street in Stockton, requested and is being recommended for a reservation of \$1,033,455 in annual federal tax credits to finance the new construction of 37 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Sonora Square Apartments and will be located in Senate District 5 and Assembly District 5.

Sonora Square will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD and MHSA through CalHFA.

Project Number CA-21-063

Project Name Sonora Square
Site Address: 401 S. El Dorado and 2 East Sonora Street
Stockton, CA 95203 County: San Joaquin
Census Tract: 3.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,033,455	\$0
Recommended:	\$1,033,455	\$0

Applicant Information

Applicant: Sonora Square Apartments, a CA Limited Partnership
Contact: Peter W. Ragsdale
Address: 2575 Grand Canal Blvd., Suite 300
Stockton, CA 95207
Phone: 209-460-5065
Email: Pragsdale@HACSH.org

General Partner(s) / Principal Owner(s): DCDC Sonora Square, LLC
Community Revitalization and Development Corporation
General Partner Type: Nonprofit
Parent Company(ies): Delta Community Developers Corp.
Community Revitalization and Development Corporation
Developer: Sonora Square Apartments, a CA Limited Partnership
Investor/Consultant: Delta Community Developers Corporation
Management Agent(s): Domus Management Co.

Project Information

Construction Type: New Construction / Adaptive Reuse
Total # Residential Buildings: 2
Total # of Units: 38
No. & % of Tax Credit Units: 37 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Project-Based Vouchers (37 units - 100%) / CDBG

Information

Set-Aside: N/A
Housing Type: Special Needs
Type of Special Needs: Homeless / Formerly Homeless
Average Targeted Affordability of Special Needs/SRO Project Units: 38.92%
% of Special Need Units: 37 units 100.00%
Geographic Area: Central Valley Region
TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 18	45%
At or Below 40% AMI: 5	10%
At or Below 50% AMI: 14	35%

Unit Mix

38 1-Bedroom Units
38 Total Units

Unit Type & Number	2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
18 1 Bedroom	30%	\$416
5 1 Bedroom	40%	\$554
14 1 Bedroom	50%	\$693
1 1 Bedroom	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,549,780
Construction Costs	\$7,598,620
Rehabilitation Costs	\$0
Construction Contingency	\$832,482
Relocation	\$290,000
Architectural/Engineering	\$555,000
Const. Interest, Perm. Financing	\$560,186
Legal Fees	\$100,000
Reserves	\$661,038
Other Costs	\$850,386
Developer Fee	\$1,564,359
Commercial Costs	\$0
Total	\$14,561,851

Residential

Construction Cost Per Square Foot:	\$297
Per Unit Cost:	\$383,207
True Cash Per Unit Cost*:	\$383,207

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Conventional Construction Loan	\$8,118,179	City of Stockton CDBG Loan	\$456,714
City of Stockton CDBG Loan	\$456,714	County of San Joaquin NPLH A	\$2,141,364
HACCSJ MHSA Loan	\$2,776,286	HACCSJ MHSA Loan	\$2,776,286
HACCSJ Ground Rent Loan	\$397,000	HACCSJ Ground Rent Loan	\$397,000
Costs Deferred Until Conversion	\$1,916,324	Accrued/Deferred Interest	\$8,666
Accrued/Deferred Interest	\$8,666	Tax Credit Equity	\$8,781,821
Tax Credit Equity	\$888,682	TOTAL	\$14,561,851

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,832,946
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,482,830
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,033,455
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,564,359
Investor/Consultant:	Delta Community Developers Corporation
Federal Tax Credit Factor:	\$0.84975

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.

Tie-Breaker Information

First:	Special Needs
Final:	72.159%

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, the 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.

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 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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 minutes in rush hours	5	5	5
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	0
Within 1 mile of a pharmacy	1	0	1
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Enhanced Accessibility and Visitability	2	2	2
Total Points	109	109	109

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.