

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2022 First Round

June 15, 2022

The Hunter House, located at 610 North Hunter Street in Stockton, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and requested \$11,634,488 in annual state credits, but is being recommended for a reservation of \$11,515,205 in total state tax credits to finance the new construction of 119 units of low-income housing serving special needs tenants with rents affordable to households earning 15%-55% of area median income (AMI). The project will be developed by Service First of Northern California and will be located in Senate District 5 and Assembly District 13.

The Hunter House's financing includes state funding from the IIG and AHSC programs of HCD.

Project Number CA-22-011

Project Name The Hunter House
Site Address: 610 N. Hunter Street & 619 N. San Joaquin Street
Stockton, CA 95202 County: San Joaquin
Census Tract: 1.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$11,634,448
Recommended:	\$2,500,000	\$11,515,205

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Service First of Northern California
Contact: Vernell Hill
Address: 102 W. Bianchi Road
Stockton, CA 95207
Phone: 209-406-3051
Email: vhill@servicefirstnc.org

General Partner(s) / Principal Owner(s): Service First of Northern California
General Partner Type: Nonprofit
Parent Company(ies): Service First of Northern California
Developer: Service First of Northern California
Investor/Consultant: Community Economics, Inc.
Management Agent(s): FPI Management Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 120
No. & % of Tax Credit Units: 119 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

Set-Aside: Nonprofit (homeless assistance)
Housing Type: Special Needs
Type of Special Needs: Homeless / Formerly Homeless / Disabled
Average Targeted Affordability of Special Needs/SRO Project Units: 36.72%
% of Special Need Units: units 100.00%
Geographic Area: Central Valley Region
TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 20% AMI:	37	30%
At or Below 30% AMI:	13	10%
At or Below 40% AMI:	12	10%
At or Below 50% AMI:	45	35%
At or Below 55% AMI:	5	0%
At or Below 60% AMI:	7	0%

Unit Mix

92 1-Bedroom Units
28 2-Bedroom Units
<u>120 Total Units</u>

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
35 1 Bedroom	15%	\$208
12 1 Bedroom	40%	\$555
38 1 Bedroom	50%	\$693
7 1 Bedroom	60%	\$832
2 2 Bedrooms	15%	\$249
13 2 Bedrooms	30%	\$499
7 2 Bedrooms	50%	\$832
5 2 Bedrooms	55%	\$915
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,953,302
Construction Costs	\$38,851,698
Rehabilitation Costs	\$0
Construction Contingency	\$2,138,585
Relocation	\$0
Architectural/Engineering	\$1,135,000
Const. Interest, Perm. Financing	\$2,652,856
Legal Fees	\$255,000
Reserves	\$3,187,165
Other Costs	\$4,187,637
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$56,561,243

Residential

Construction Cost Per Square Foot:	\$357
Per Unit Cost:	\$471,344
True Cash Per Unit Cost*:	\$456,771

Construction Financing

Source	Amount
Bank of the West	\$41,381,039
City of Stockton	\$1,740,000
AHP	\$1,250,000
HCD IIG	\$2,538,787
Impact Fee Waiver	\$1,748,736
Tax Credit Equity	\$3,230,516

Permanent Financing

Source	Amount
HCD - AHSC	\$17,240,556
City of Stockton	\$1,740,000
HCD - IIG	\$2,538,787
HCD - AHSC	\$15,000
AHP	\$1,250,000
General Partner Equity	\$1,000
Impact Fee Waiver	\$1,748,736
Tax Credit Equity	\$32,027,164
TOTAL	\$56,561,243

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$38,771,493
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$50,402,941
Applicable Rate:	9.00%
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$11,515,205
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.91260
State Tax Credit Factor:	\$0.80000

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:	72.133%

Significant Information / Additional Conditions

This Project's annual per unit operating expense total is below the CTCAC published per unit operating minimums of \$4,570. This Project's annual per unit operating expense total is below the CTCAC published per unit operating minimums of \$4,900. As allowed by CTCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$4,641 on agreement of the equity investor. There is no permanent lender on this project as there is no hard debt. As allowed by CTCAC Regulation Section 10327(g), CTCAC approves an additional amount from the soft contingency to cover the remaining difference.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC 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

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	8
General Partner Experience	7	7	5
Management Experience	3	3	3
Housing Needs	10	10	0
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
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 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs project within 1 mile of facility serving tenant population	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	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
Smoke Free Residence	2	2	2
Total Points	109	109	97

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.