

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 13, 2017**

Truckee Artist Lofts, located at 10121 Church Street in Truckee, requested and is being recommended for a reservation of \$960,131 in annual federal tax credits to finance the new construction of 76 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by C.F.Y. Development, Inc. and will be located in Senate District 1 and Assembly District 1.

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 Infil Fund program of HCD and funding through CalHFA.

**Project Number** CA-17-820

**Project Name** Truckee Artist Lofts  
**Site Address:** 10121 Church Street  
Truckee, CA 96161 County: Nevada  
**Census Tract:** 12.06

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$960,131	\$0
Recommended:	\$960,131	\$0

**Applicant Information**

**Applicant:** Downtown Truckee Investors, LP  
**Contact:** Ali Youssefi  
**Address:** 1724 10th Street, Ste. 120  
Sacramento, CA 95811  
**Phone:** 916-446-4040 **Fax:** 916-446-4044  
**Email:** ali.cfy@gmail.com

**General Partner(s) or Principal Owner(s):** Ali Youssefi  
Cyrus Youssefi  
Egis Group, Inc.  
Truckee Development Associates, LLC  
Community Revitalization and Development Corp.

**General Partner Type:** For Profit

**Parent Company(ies):** Ali Youssefi  
Cyrus Youssefi  
Egis Group, Inc.  
Truckee Development Associates, LLC  
Community Revitalization and Development Corp.

**Developer:** C.F.Y. Development, Inc.  
**Investor/Consultant:** RBC Capital Markets  
**Management Agent:** C.F.Y. Development, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 90  
 No. & % of Tax Credit Units: 76 85.39%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (25 Units - 28%)  
 HCD MHP Funding: No  
 Utility Allowance: CUAC  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 9  
 Number of Units @ or below 60% of area median income: 67

**Bond Information**

Issuer: California Housing Finance Agency  
 Expected Date of Issuance: July 1, 2018  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: Rural  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

29 SRO/Studio Units  
 45 1-Bedroom Units  
 10 2-Bedroom Units  
 6 3-Bedroom Units  


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 90 Total Units

<b>Unit Type &amp; Number</b>	<b>2017 Rents Targeted % of Area Median Income</b>	<b>2017 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
26 SRO/Studio	60%	60%	\$802
22 1 Bedroom	60%	60%	\$859
3 2 Bedrooms	60%	60%	\$1,030
7 1 Bedroom	50%	50%	\$716
1 2 Bedrooms	50%	50%	\$858
1 3 Bedrooms	50%	50%	\$992
10 1 Bedroom	60%	60%	\$859
4 2 Bedrooms	60%	60%	\$1,030
2 3 Bedrooms	60%	60%	\$1,191
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
3 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,000
5 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,500
2 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,800
3 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,100

Projected Lifetime Rent Benefit: \$17,233,920

**Project Cost Summary at Application**

Land and Acquisition	\$1,252,123
Construction Costs	\$19,167,763
Rehabilitation Costs	\$0
Construction Contingency	\$952,275
Relocation	\$0
Architectural/Engineering	\$1,074,700
Const. Interest, Perm. Financing	\$926,001
Legal Fees, Appraisals	\$205,170
Reserves	\$255,501
Other Costs	\$1,985,133
Developer Fee	\$3,095,900
Commercial Costs	\$600,671
<b>Total</b>	<b>\$29,515,237</b>

**Project Financing**

Estimated Total Project Cost:	\$29,515,237
Estimated Residential Project Cost:	\$28,824,466
Estimated Commercial Project Cost:	\$690,771

**Residential**

Construction Cost Per Square Foot:	\$185
Per Unit Cost:	\$320,272
True Cash Per Unit Cost*:	\$301,457

**Construction Financing**

Source	Amount
J.P. Morgan Chase - T.E. Bonds	\$20,157,987
Town of Truckee	\$1,400,000
Holliday Development	\$1,500,000
HCD Infill Funds	\$1,281,600
Deferred Operating Reserves	\$255,501
Deferred Developer Fee	\$3,095,900
Tax Credit Equity	\$1,824,249

**Permanent Financing**

Source	Amount
CalHFA - Residential	\$9,356,669
CalHFA - Commercial	\$971,768
CalHFA	\$2,500,000
Town of Truckee	\$1,400,000
Martis Foundation	\$1,650,000
Holliday Development	\$1,500,000
HCD Infill Funds	\$1,281,600
Deferred Developer Fee	\$1,733,955
Tax Credit Equity	\$9,121,245
<b>TOTAL</b>	<b>\$29,515,237</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$27,636,862
130% High Cost Adjustment:	Yes
Applicable Fraction:	85.39%
Qualified Basis:	\$30,680,022
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$960,131
Approved Developer Fee in Project Cost:	\$3,095,900
Approved Developer Fee in Eligible Basis:	\$3,000,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.95000

Per Regulation Section 10327(c)(6), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$27,636,862
Actual Eligible Basis:	\$27,636,862
Unadjusted Threshold Basis Limit:	\$21,416,116
Total Adjusted Threshold Basis Limit:	\$31,607,808

**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
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

**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 are below the minimum operating expenses established in the Regulations. See **Special Issues/Other Significant Information** below for additional information. The project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% 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.

**Special Issues/Other Significant Information:**

The applicant's estimate for annual operating expenses per unit is below the \$4,700 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of \$4,238 in agreement with the permanent lender and equity investor.

**Local Reviewing Agency**

The Local Reviewing Agency, the Town of Truckee, has completed a site review of this project and strongly supports this project.

**Recommendation**

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$960,131</b>	<b>\$0</b>

**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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

**Additional Conditions:** None.