

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 12, 2014**

**Project Number** CA-14-901

**Project Name** Callen Street Apartments  
**Site Address:** 1355, 1367-1373, 1385-1391, 1413-1455, 1408-1414, &  
1432-1444 Callen Street  
Vacaville, CA 95688 County: Solano  
**Census Tract:** 2532.050

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$368,460	\$0
Recommended:	\$368,460	\$0

**Applicant Information**

**Applicant:** Callen Street Investors, L.P.  
**Contact:** Cyrus Youssefi  
**Address:** 1006 4th Street, Ste. #701  
Sacramento, CA 95814  
**Phone:** (916) 446-4040 **Fax:** (916) 446-4044  
**Email:** cfyinc@yahoo.com

**General Partner(s) or Principal Owner(s):** Cyrus Youssefi, individually  
Egis Group, Inc.  
Vacaville Community Housing, Inc.  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Cyrus Youssefi, individually  
Egis Group, Inc.  
Vacaville Community Housing, Inc.  
**Developer:** C.F.Y. Development, Inc.  
**Investor/Consultant:** WNC, Inc.  
**Management Agent:** C.F.Y. Development, Inc.

**Project Information**

Construction Type: New Construction / Acquisition & Rehabilitation  
 Total # Residential Buildings: 12  
 Total # of Units: 66  
 No. & % of Tax Credit Units: 65 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 Utility Allowance: CUAC  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 4  
 Number of Units @ or below 50% of area median income: 16  
 Number of Units @ or below 60% of area median income: 45

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: February 12, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

26 1-Bedroom Units  
 40 2-Bedroom Units  


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 66 Total Units

<u>Unit Type &amp; Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 1 Bedroom	30%	30%	\$431
4 1 Bedroom	50%	50%	\$719
18 1 Bedroom	60%	60%	\$863
12 2 Bedrooms	50%	50%	\$863
17 2 Bedrooms	60%	60%	\$1,036
10 2 Bedrooms	60%	60%	\$1,036
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost:	\$15,063,936
Estimated Residential Project Cost:	\$15,063,936

**Residential**

Construction Cost Per Square Foot:	\$127
Per Unit Cost:	\$228,241

**Construction Financing**

Source	Amount
Umpqua Bank	\$8,172,596
City of Vacaville - Assumed Loan	\$4,620,000
Deferred Operating Expense Reserve	\$141,759
Deferred Developer Fee	\$1,394,503
Tax Credit Equity	\$735,078

**Permanent Financing**

Source	Amount
Umpqua Bank	\$4,315,401
City of Vacaville - Assumed Loan	\$4,620,000
City of Vacaville - New Loan	\$2,285,000
Deferred Developer Fee	\$168,143
Tax Credit Equity	\$3,675,392
<b>TOTAL</b>	<b>\$15,063,936</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (New Construction/Rehabilitation)	\$9,897,732
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,068,350
Applicable Fraction:	100.00%
Qualified Basis (New Construction/Rehabilitation):	\$9,897,732
Qualified Basis (Acquisition):	\$1,068,350
Applicable Rate:	3.36%
Maximum Annual Federal Credit, NC/Rehabilitation:	\$332,564
Maximum Annual Federal Credit, Acquisition:	\$35,896
Total Maximum Annual Federal Credit:	\$368,460
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,430,359
Investor/Consultant:	WNC, Inc.
Federal Tax Credit Factor:	\$0.99750

Per Regulation Section 10322(i)(4)(A), 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:	\$10,966,082
Actual Eligible Basis:	\$10,966,082
Unadjusted Threshold Basis Limit:	\$16,890,428
Total Adjusted Threshold Basis Limit:	\$23,050,577

**Adjustments to Basis Limit:**

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 24%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 12%

**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 as allowed under regulation section 10327(g)(1), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.36% 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 parcels comprising this project's site currently have 18 buildings with 66 total units on them. This tax credit project involves the demolition of 14 two-story buildings (56 total units) of the 18 buildings and replacing them with 8 two-story buildings (56 total units), and rehabilitating the 4 remaining buildings (1 two-story building and 3 one-story duplexes with 10 total units). The addresses of the 4 rehabilitation buildings are 1355, 1432, 1438, & 1444 Callen Street. The 14 parcels comprising the new construction building sites will be merged into 4 parcels covering the addresses 1367-1373, 1385-1391, 1413-1455, & 1408-1414 Callen Street.

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$5,200. As allowed by Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$4,698 on agreement of the permanent lender and equity investor.

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of Vacaville, 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>\$368,460</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.