

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 Second Round
October 10, 2012

Project Number CA-12-159

Project Name Ridgeway Studios
 Site Address: 912-914 12th Street
 Sacramento, CA 95814 County: Sacramento
 Census Tract: 11.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$426,847	\$0
Recommended:	\$426,847	\$0

Applicant Information

Applicant: Ridgeway SRO Investors, L.P.
 Contact: Ali Youssefi
 Address: 1006 4th Street, Ste. 701
 Sacramento CA 95814
 Phone: 916-446-4040 Fax: 916-446-4044
 Email: ali.cfy@gmail.com

General partner(s) or principal owner(s): Egis Group, Inc.
 Community Revitalization & Development Corporation,
 a California Non-Profit Public Benefit Corporation

General Partner Type: Joint Venture
 Developer: Ali Youssefi
 Investor/Consultant: WNC & Associates
 Management Agent: C.F.Y. Development, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 22
 No. & % of Tax Credit Units: 21 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.57%
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	3	10 %
40% AMI:	18	80 %

Information

Set-Aside: Single Room Occupancy
 Housing Type: Single Room Occupancy
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Connie Osorio

Unit Mix

22 SRO/Studio Units
 22 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	30%	30%	\$399
18 SRO/Studio	40%	40%	\$533
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$6,977,153
 Estimated Residential Project Cost: \$6,977,153

Residential

Construction Cost Per Square Foot: \$199
 Per Unit Cost: \$317,143

Construction Financing

<u>Source</u>	<u>Amount</u>
Chase Bank	\$2,898,927
HCD Loan (assumed)	\$1,332,000
SHRA Loan (assumed)	\$518,150
New SHRA Loan 50/50	\$455,880
City Relocation Funds	\$69,120
Deferred Developer Fee	\$524,976
Tax Credit Equity	\$1,178,100

Permanent Financing

<u>Source</u>	<u>Amount</u>
HCD Loan (assumed)	\$1,332,000
SHRA Loan (assumed)	\$518,150
SHRA New Loan	\$1,130,880
City Relocation Funds	\$69,120
Tax Credit Equity	\$3,927,003
TOTAL	\$6,977,153

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$3,603,534
 130% High Cost Adjustment: Yes
 Requested Eligible Basis (Acquisition): \$163,562
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$4,684,594
 Applicable Rate: 9.00%
 Qualified Basis (Acquisition): \$163,562
 Applicable Rate: 3.20%
 Maximum Annual Federal Credit, Rehabilitation: \$421,613
 Maximum Annual Federal Credit, Acquisition: \$5,234
 Total Maximum Annual Federal Credit: \$426,847
 Approved Developer Fee (in Project Cost & Eligible Basis): \$524,976
 Investor/Consultant: WNC & Associates
 Federal Tax Credit Factor: \$0.92000

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:	\$3,767,096
Actual Eligible Basis:	\$4,757,484
Unadjusted Threshold Basis Limit:	\$3,011,756
Total Adjusted Threshold Basis Limit:	\$3,683,228

Adjustments to Basis Limit:

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Irrigated with reclaimed water, greywater, or rainwater (excluding community gardens)
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Single Room Occupancy
Second:	52.379%

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 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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: None

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$426,847	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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.

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 ten 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)(6) 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.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Additional rehab measures: PV generation that offsets either 50% of	3	3	3
Additional rehab measures: Individually metered utilities per TCAC	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.