

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

December 12, 2018

REVISED

1717 S Street, located at 1717 S Street in Sacramento, requested and is being recommended for a reservation of \$896,511 in annual federal tax credits to finance the new construction of 64 low-income units of housing serving tenants with rents affordable to households earning 50%-80% of area median income (AMI). The project will be developed by C.F.Y. Development, Inc. and will be located in Senate District 7 and Assembly District 6.

The project financing includes state funding from the Mixed Income Loan program through CalHFA.

Project Number	CA-18-665	
Project Name	1717 S Street	
Site Address:	1717 S Street	
	Sacramento, CA 95811	County: Sacramento
Census Tract:	20.000	

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$896,511	\$0
Recommended:	\$896,511	\$0

Applicant Information

Applicant:	1717 S Street Investors, LP
Contact:	Cyrus Youssefi
Address:	1724 10th Street, Ste. 120
	Sacramento, CA 95811
Phone:	916.446.4040
Email:	cfyinc@yahoo.com

General Partner(s) or Principal Owner(s):	1717 S Street Investors, LLC
	Capitol Area Community Development Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	1717 S Street Investors, LLC
	Capitol Area Community Development Corporation
Developer:	C.F.Y. Development, Inc.
Investor/Consultant:	WNC & Associates
Management Agent:	C.F.Y. Development, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 159
No. / % of Low Income Units: 64 40.51%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt
Utility Allowance: CUAC

Bond Information

Issuer: California Housing Finance Agency
Expected Date of Issuance: May 12, 2019

Information

Housing Type: Non-Targeted
Geographic Area: Capital Region
TCAC Project Analyst: Pavlos Mayakis

55-Year Use / Affordability

Aggregate Targeting	Percentage of
Number of Units	Affordable
	Units
At or Below 50% AMI: 45	70%
At or Below 80% AMI: 19	30%

Unit Mix

16 SRO/Studio Units
119 1-Bedroom Units
24 2-Bedroom Units
<hr/> 159 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14 SRO/Studio	50%	50%	\$701
1 SRO/Studio	80%	80%	\$1,122
26 1 Bedroom	50%	50%	\$751
18 1 Bedroom	80%	80%	\$1,202
5 2 Bedrooms	50%	50%	\$901
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,683
9 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,803
65 1 Bedroom	Market Rate Unit	Market Rate Unit	\$2,335
5 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,163
14 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,500

TCAC-confirmed Projected Lifetime Rent Benefit: \$26,086,500

Project Cost Summary at Application

Land and Acquisition	\$3,712,331
Construction Costs	\$41,620,597
Rehabilitation Costs	\$0
Construction Contingency	\$1,775,256
Relocation	\$0
Architectural/Engineering	\$1,332,632
Const. Interest, Perm. Financing	\$2,918,298
Legal Fees, Appraisals	\$342,677
Reserves	\$1,070,859
Other Costs	\$2,758,448
Developer Fee	\$4,924,501
Commercial Costs	\$2,805,429
Total	\$63,261,028

Residential

Construction Cost Per Square Foot:	\$226
Per Unit Cost:	\$378,734
True Cash Per Unit Cost*:	\$349,917

Construction Financing

Source	Amount
JP Morgan Chase	\$48,103,724
Capitol Area Development Auth.	\$3,300,000
SHRA**	\$3,450,000
GP Loan	\$1,500,000
Deferred Costs	\$1,124,994
Deferred Developer Fee	\$4,924,501
Tax Credit Equity	\$857,809

Permanent Financing

Source	Amount
CalHFA (Tax Exempt Bonds)	\$38,610,455
CalHFA (GAP Loan)	\$3,160,000
Capitol Area Development Auth.	\$3,300,000
SHRA**	\$3,300,000
Sewer Credits	\$150,000
Deferred Developer Fee	\$4,813,370
GP Loan	\$1,500,000
Tax Credit Equity	\$8,427,203
TOTAL	\$63,261,028

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

**Sacramento Housing and Redevelopment Agency

Determination of Credit Amount(s)

Requested Eligible Basis:	\$54,742,738
130% High Cost Adjustment:	Yes
Applicable Fraction:	38.52%
Qualified Basis:	\$27,416,240
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$896,511
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.94000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$54,742,738
Actual Eligible Basis:	\$54,742,738
Unadjusted Threshold Basis Limit:	\$41,534,334
Total Adjusted Threshold Basis Limit:	\$62,049,686

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 29%

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 "**Significant Information / Additional Conditions**" Section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.27% 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.

Significant Information / Additional Conditions

The applicant's estimate for annual operating expenses per unit is below the \$4,900 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 \$4,165 in agreement with the permanent lender and equity investor.

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

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.

CDLAC Additional Conditions None.