

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

Truckee Artist Lofts, located at 10121 Church Street in Truckee, requested a reservation of \$2,398,376 in annual federal tax credits but is being recommended for a reservation of \$2,396,028 in annual federal tax credits (see Significant Information/Additional Conditions section below) to finance the new construction of 76 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by C.F.Y. Development, Inc./Egis Group, 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 IIG program of HCD.

Project Number CA-19-015

Project Name Truckee Artist Lofts
Site Address: 10121 Church Street
Truckee, CA 96161 County: Nevada
Census Tract: 12.060

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,398,376	\$0
Recommended:	\$2,396,028	\$0

Applicant Information

Applicant: Downtown Truckee 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) / Principal Owner(s): Cyrus Youssefi - Individually
Egis Group, Inc.
Community Revitalization and Development Corp.

General Partner Type: Joint Venture

Parent Company(ies): Cyrus Youssefi - Individually
Egis Group, Inc.
Community Revitalization and Development Corp.

Developer: C.F.Y. Development, Inc./Egis Group, Inc.

Investor/Consultant: Boston Capital

Management Agent(s): C.F.Y. Development, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 77
No. & % of Tax Credit Units: 76 100%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: HUD Section 8 Project Based Vouchers (19 units - 25%)

Information

Set-Aside: Rural
Housing Type: Large Family
Geographic Area: None
TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

**Aggregate Targeting Number of
Units**

At or Below 30% AMI:	13
At or Below 40% AMI:	10
At or Below 50% AMI (Rural):	40
At or Below 60% AMI:	4
At or Below 80% AMI:	9

Average Income Project (70% and/or 80% AMI Units): 50% AMI targeted average or less is required

Unit Mix

19 SRO/Studio Units
20 1-Bedroom Units
19 2-Bedroom Units
19 3-Bedroom Units
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77 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 SRO/Studio	30%	30%	\$381
3 SRO/Studio	40%	40%	\$508
10 SRO/Studio	50%	50%	\$635
1 SRO/Studio	60%	60%	\$762
1 SRO/Studio	80%	80%	\$1,016
5 1 Bedroom	30%	30%	\$408
2 1 Bedroom	40%	40%	\$544
10 1 Bedroom	50%	50%	\$680
2 1 Bedroom	80%	80%	\$1,088
2 2 Bedrooms	30%	30%	\$489
2 2 Bedrooms	40%	40%	\$653
10 2 Bedrooms	50%	50%	\$816
2 2 Bedrooms	60%	60%	\$979
3 2 Bedrooms	80%	80%	\$1,306
2 3 Bedrooms	30%	30%	\$565
3 3 Bedrooms	40%	40%	\$754
5 3 Bedrooms	50%	50%	\$942
5 3 Bedrooms	50%	50%	\$942
1 3 Bedrooms	60%	60%	\$1,131
3 3 Bedrooms	80%	80%	\$1,508
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,806,369
Construction Costs	\$23,619,395
Rehabilitation Costs	\$0
Construction Contingency	\$1,247,198
Relocation	\$0
Architectural/Engineering	\$1,532,175
Const. Interest, Perm. Financing	\$1,109,898
Legal Fees	\$191,521
Reserves	\$205,849
Other Costs	\$1,962,386
Developer Fee	\$2,161,347
Commercial Costs	\$972,201
Total	\$35,808,339

Residential

Construction Cost Per Square Foot:	\$397
Per Unit Cost:	\$450,808
True Cash Per Unit Cost*:	\$427,206

Construction Financing

Source	Amount
Bonneville Multifamily Capital	\$21,597,123
Inclusionary Land Contribution	\$1,649,000
Town of Truckee	\$1,650,000
HCD IIG	\$1,281,600
Palmisano Family Foundation	\$500,000
Deferred Operating Reserves	\$205,849
Deferred Developer Fee	\$2,183,421
Tax Credit Equity	\$6,763,420

Permanent Financing

Source	Amount
Bonneville Multifamily Capital	\$5,671,457
Inclusionary Land Contribution	\$1,649,000
Town of Truckee	\$1,650,000
HCD IIG	\$1,281,600
Palmisano Family Foundation	\$500,000
Martis Foundation	\$1,650,000
Deferred Developer Fee	\$883,622
Tax Credit Equity	\$22,522,660
TOTAL	\$35,808,339

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,498,939
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,648,621
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,396,028
Approved Developer Fee in Project Cost:	\$2,161,347
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.94000

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$20,498,939
Actual Eligible Basis:	\$29,164,139
Unadjusted Threshold Basis Limit:	\$21,244,409
Total Adjusted Threshold Basis Limit:	\$29,164,139

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First: **Large Family**
Final: **37.322%**

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 or exceed 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 of the developer fee exceeded the TCAC maximum allowable limit for the commercial cost portion according to TCAC regulation 10327(c). Staff reduced the applicant’s developer fee cost by \$22,074, resulting in a reduction in the federal tax credit recommended amount to \$2,396,028.

The applicant and architect drawings indicate the art room is included as common area for tenant use. The art room will be accessible to tenants during normal daytime operational hours. The applicant indicated the 2nd floor band/music room is designed for recreational use by children ages 13-17, as well as access to the community room for other recreational activities. The community room will be accessible to minors between 6:00a.m and 10:00p.m., except when the area is reserved for service amenities or special events.

Resyndication and Resyndication Transfer Event: 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, The Town of Truckee, has completed a site review of this project and strongly supports this project.

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.

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 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 completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
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	20	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Alder Creek Middle School	2	2	2
Within 1 mile of medical clinic or hospital	3	3	3
Within 2 miles of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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
State Credit Substitution	2	2	2
Total Points	113	113	113

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.