

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

1322 O Street, located at 1322 O Street in Sacramento, requested and is being recommended for a reservation of \$463,649 in annual federal tax credits and \$4,293,041 in total state tax credits to finance the new construction of 55 units of housing with rents affordable to households earning 50-80% of area median income (AMI). The project will be developed by Capitol Area Community Development Corporation (CADA) and will be located in Senate District 6 and Assembly District 7.

Project Number CA-20-576

Project Name 1322 O Street
 Site Address: 1322 O Street
 Sacramento, CA 95814 County: Sacramento
 Census Tract: 12.00

| Tax Credit Amounts | Federal/Annual | State/Total * |
|---------------------------|-----------------------|----------------------|
| Requested: | \$463,649 | \$4,293,041 |
| Recommended: | \$463,649 | \$4,293,041 |

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: 1322 O St Investors LP
 Contact: Wendy S. Saunders
 Address: 1522 14th Street
 Sacramento, CA 95814
 Phone: (916) 322-2114
 Email: wsanders@cadanet.org

General Partner(s) or Principal Owner(s): Capitol Area Community Development Corporation
 Cyrus Youssefi, individually
 General Partner Type: Joint Venture
 Parent Company(ies): Capitol Area Development Authority
 Cyrus Youssefi, individually
 Developers: Capitol Area Community Development Corporation
 and Cyrus Youssefi
 Investor/Consultant: Berkadia
 Management Agent: C.F.Y. Development, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 56
 No. / % of Low Income Units: 55 100.00%
 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: July 15, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: Capital Region
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

| Aggregate Targeting Number of Units | Percentage of Affordable Units |
|--|---|
| 50% AMI: 22 | 40% |
| 60% AMI: 25 | 45% |
| 80% AMI: 8 | 15% |

Unit Mix

56 SRO/Studio Units
 56 Total Units

| Unit Type & Number | 2019 Rents Targeted % of Area Median Income | 2019 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|-----------------------------------|--|--|--|
| 22 SRO/Studio | 50% | 50% | \$732 |
| 25 SRO/Studio | 60% | 60% | \$879 |
| 8 SRO/Studio | 80% | 80% | \$1,172 |
| 1 SRO/Studio | Manager's Unit | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|------------------------------------|---------------------|
| Land and Acquisition | \$1 |
| Construction Costs | \$10,591,935 |
| Rehabilitation Costs | \$0 |
| Construction Hard Cost Contingency | \$457,875 |
| Soft Cost Contingency | \$95,540 |
| Relocation | \$0 |
| Architectural/Engineering | \$573,239 |
| Const. Interest, Perm. Financing | \$439,722 |
| Legal Fees | \$143,310 |
| Reserves | \$240,178 |
| Other Costs | \$468,937 |
| Developer Fee | \$1,780,554 |
| Commercial Costs | \$606,236 |
| Total | \$15,397,527 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$379 |
| Per Unit Cost: | \$262,729 |
| True Cash Per Unit Cost*: | \$247,898 |

Construction Financing

| Source | Amount |
|----------------------------------|-------------|
| JPMorgan Chase Bank | \$8,586,091 |
| JPMorgan Chase Bank Taxable Loan | \$753,328 |
| CADA Loan | \$2,500,000 |
| Deferred Reserves | \$251,391 |
| Deferred Developer Fee | \$1,780,553 |
| Tax Credit Equity | \$1,526,164 |

Permanent Financing

| Source | Amount |
|------------------------|---------------------|
| CCRC | \$4,321,463 |
| CADA Loan | \$2,500,000 |
| Deferred Developer Fee | \$869,191 |
| Tax Credit Equity | \$7,706,873 |
| TOTAL | \$15,397,527 |

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

Determination of Credit Amount(s)

| | |
|---|--------------|
| Requested Eligible Basis: | \$14,310,154 |
| 130% High Cost Adjustment: | No |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$14,310,154 |
| Applicable Rate: | 3.24% |
| Total Maximum Annual Federal Credit: | \$463,649 |
| Total State Credit: | \$4,293,041 |
| Approved Developer Fee in Project Cost: | \$1,780,554 |
| Approved Developer Fee in Eligible Basis: | \$1,702,088 |
| Investor/Consultant: | Berkadia |
| Federal Tax Credit Factor: | \$0.94000 |
| State Tax Credit Factor: | \$0.78000 |

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: | \$14,310,154 |
| Actual Eligible Basis: | \$14,310,154 |
| Unadjusted Threshold Basis Limit: | \$14,623,896 |
| Total Adjusted Threshold Basis Limit: | \$25,060,623 |

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 and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 40%

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 3.24% 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 \$5,000 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 \$4,250 in agreement with the permanent lender and equity investor.

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.