

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

1717 S Street, located at 1717 S Street in Sacramento, requested a reservation of \$1,186,251 in annual federal tax credits and \$9,946,771 in total state tax credits but is being recommended for a reservation of \$1,186,251 in annual federal tax credits and \$9,651,945 in total state tax credits to finance the new construction of 111 units of housing serving tenants with rents affordable to households earning 50-80% AMI 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.

**Project Number** CA-20-518

**Project Name** 1717 S Street  
 Site Address: 1717 S Street  
 Sacramento, CA 95811 County: Sacramento  
 Census Tract: 20.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,816,251	\$9,946,771
Recommended:	\$1,816,251	\$9,651,945

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

**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 Commun  
 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: 111 70.25%  
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 18, 2020

**Information**

Housing Type: Non-Targeted  
Geographic Area: Capital Region  
TCAC Project Analyst: Sara Dixon

**55-Year Use / Affordability**

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
50% AMI: 47	42%
60% AMI: 47	42%
80% AMI: 17	15%

**Unit Mix**

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

<u>Unit Type &amp; Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 SRO/Studio	50%	50%	\$732
4 SRO/Studio	60%	60%	\$879
2 SRO/Studio	80%	80%	\$1,172
36 1 Bedroom	50%	50%	\$784
36 1 Bedroom	60%	60%	\$941
12 1 Bedroom	80%	80%	\$1,255
7 2 Bedrooms	50%	50%	\$941
7 2 Bedrooms	60%	60%	\$1,129
3 2 Bedrooms	80%	80%	\$1,506
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
6 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,525
34 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,850
7 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,200

**Project Cost Summary at Application**

Land and Acquisition	\$3,610,591
Construction Costs	\$46,102,635
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,006,141
Soft Cost Contingency	\$190,376
Relocation	\$0
Architectural/Engineering	\$1,332,632
Const. Interest, Perm. Financing	\$3,368,227
Legal Fees	\$304,602
Reserves	\$839,995
Other Costs	\$2,676,601
Developer Fee	\$6,092,031
Commercial Costs	<u>\$3,358,652</u>
<b>Total</b>	<b>\$69,882,483</b>

**Residential**

Construction Cost Per Square Foot:	\$251
Per Unit Cost:	\$418,389
True Cash Per Unit Cost*:	\$377,493

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
JP Morgan Chase	\$39,140,517	CCRC	\$28,730,358
JP Morgan Chase - Taxable	\$15,396,149	CalHFA MIP Loan	\$10,250,000
CADA Loan	\$3,300,000	CADA Loan	\$3,300,000
Deferred Reserves	\$882,459	Deferred Developer Fee	\$3,472,031
Deferred Developer Fee	\$6,400,000	Tax Credit Equity	\$24,130,094
Tax Credit Equity	\$4,870,243	<b>TOTAL</b>	<b>\$69,882,483</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$61,379,239
130% High Cost Adjustment:	Yes
Applicable Fraction:	70.25%
Qualified Basis:	\$56,057,115
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$1,816,251
Total State Credit:	\$9,651,947
Approved Developer Fee in Eligible Basis:	\$6,092,031
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.93000
State Tax Credit Factor:	\$0.75000

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:	\$61,379,239
Actual Eligible Basis:	\$61,379,239
Unadjusted Threshold Basis Limit:	\$44,324,866
Total Adjusted Threshold Basis Limit:	\$68,610,645

**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: 32%

### **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**

This Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of \$5,000. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$4,312 on agreement of the permanent lender and equity investor

The project's 3-month operating reserve is less than the amount required under regulation section 10327(c)(7)(B). Under regulation section 10327(a) initial application errors of \$100,000 or less shall be deemed covered by the contingency line item. At the submission of the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC the applicant must fund the 3-month operating reserve at a level that meets the requirement of regulation section 10327(c)(7)(B).

All developer fees in excess of two million five hundred thousand (\$2,500,000) dollars plus \$10,000 per unit for each Tax Credit unit in excess of 100 shall be deferred or contributed as equity to the project. The "cash out" developer fee in the application's sources and uses budget is \$3,042,204 exceeding the maximum allowed "cash out" developer fee of \$2,620,000 by \$114,235. Staff adjusted accordingly which results in a reduction to the requested tax credits from \$1,354,109 to the recommended reservation of annual federal tax credits of \$1,354,063, or a reduction of \$46 in annual federal tax credits.

The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

This project includes costs and income for parking and storage. At placed in service TCAC must see a breakout for affordable and market rate units showing the proportional allocation of these costs.

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this existing 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.