

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

1322 O Street, located at 1322 O Street in Sacramento, requested and is being recommended for a reservation of \$527,285 in annual federal tax credits to finance the new construction of 55 units of housing serving tenants with rents affordable to households earning 40-60% of area median income (AMI). The project will be developed by Capitol Area Community Development Corporation / C.F.Y. Development, Inc. and will be located in Senate District 6 and Assembly District 7.

The project financing includes state funding from the TOD program of HCD.

Project Number CA-20-734

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:	\$527,285	\$0
Recommended:	\$527,285	\$0

Applicant Information

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

General Partner(s) or Principal Owner(s): Capitol Area Community Development Corporation
 Cyrus Youssefi
 General Partner Type: Joint Venture
 Parent Company(ies): Capitol Area Community Development Corporation
 Cyrus Youssefi
 Developer: Capitol Area Community Development Corporation
 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: 56
 No. / % of Low Income Units: 55 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: June 8, 2021

Information

Housing Type: Non-Targeted
 Geographic Area: Capital Region
 TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
40% AMI: 22	40%
50% AMI: 28	51%
60% AMI: 5	9%

Unit Mix

56 SRO/Studio Units
 56 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
22 SRO/Studio	40%	40%	\$605
28 SRO/Studio	50%	50%	\$756
5 SRO/Studio	60%	60%	\$907
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1
Construction Costs	\$12,857,760
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$556,940
Soft Cost Contingency	\$95,540
Relocation	\$0
Architectural/Engineering	\$611,455
Const. Interest, Perm. Financing	\$561,057
Legal Fees	\$143,310
Reserves	\$316,291
Other Costs	\$469,575
Developer Fee	\$2,136,850
Commercial Costs	\$721,008
Total	\$18,469,787

Residential

Construction Cost Per Square Foot:	\$711
Per Unit Cost:	\$315,265
True Cash Per Unit Cost*:	\$303,710

Construction Financing

Source	Amount
JPMorgan Chase	\$10,305,237
JPMorgan Chase - Taxable	\$1,679,921
General Partner Loan	\$3,100,000
Deferred Reserves	\$324,423
Deferred Developer Fee	\$2,136,850
Tax Credit Equity	\$923,356

Permanent Financing

Source	Amount
HCD - Transit Oriented Development	\$10,000,000
General Partner - Gap Loan	\$2,407,025
General Partner Loan	\$692,975
Deferred Developer Fee	\$676,954
Tax Credit Equity	\$4,692,833
TOTAL	\$18,469,787

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,175,395
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$17,175,395
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$527,285
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,136,850
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.89000

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:	\$17,175,395
Actual Eligible Basis:	\$17,175,395
Unadjusted Threshold Basis Limit:	\$14,623,896
Total Adjusted Threshold Basis Limit:	\$32,372,571

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: 90%

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 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: None.

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.