

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2013 First Round**  
**June 12, 2013**

**Project Number** CA-13-026

**Project Name** The Surf Apartments  
 Site Address: 108 H Street  
 Crescent City, CA 95531 County: Del Norte  
 Census Tract: 1.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$531,679	\$0
Recommended:	\$526,360	\$0

**Applicant Information**

Applicant: The Surf Investors, L.P.  
 Contact: John Cicerone  
 Address: 1006 Fourth Street, Suite 701  
 Sacramento, CA 95814  
 Phone: 916-446-4040 Fax: 916-446-4044  
 Email: jrcvest@aol.com

General partner(s) or principal owner(s): Community Revitalization and Development Corp.  
 Egis Group, Inc.  
 Cyrus Youssefi

General Partner Type: Joint Venture  
 Developer: CFY Development, Inc./Egis Group, Inc.  
 Investor/Consultant: WNC & Associates  
 Management Agent(s): CFY Development, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 56  
 No. & % of Tax Credit Units: 55 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: None  
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	6	10 %
40% AMI:	6	10 %
50% AMI (Rural):	28	50 %

**Information**

Set-Aside: Rural  
 Housing Type: Seniors  
 Geographic Area: N/A  
 TCAC Project Analyst: Nicola Hil

**Unit Mix**

18 SRO/Studio Units  
 38 1-Bedroom Units  


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 56 Total Units

<u>Unit Type &amp; Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	30%	\$303
2 SRO/Studio	40%	40%	\$402
9 SRO/Studio	50%	50%	\$502
5 SRO/Studio	60%	56%	\$558
4 1 Bedroom	30%	30%	\$322
4 1 Bedroom	40%	40%	\$430
19 1 Bedroom	50%	50%	\$538
10 1 Bedroom	60%	57%	\$610
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$8,051,415      Construction Cost Per Square Foot: \$109  
 Per Unit Cost: \$143,775

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Chase Bank	\$2,813,307	HCD CHRP-R Loan Assumption	\$1,960,000
HCD CHRP-R Loan Assumption	\$1,960,000	HCD CHRP-R Accrued Interest	\$794,633
HCD CHRP-R Accrued Interest	\$794,633	Existing Replacement Reserves	\$102,000
Existing Replacement Reserves	\$102,000	Existing Operating Reserves	\$247,000
Existing Operating Reserves	\$247,000	Tax Credit Equity	\$4,947,782
Deferred Developer Fee	\$685,140	<b>TOTAL</b>	<b>\$8,051,415</b>
Tax Credit Equity	\$1,499,335		

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,544,268
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,907,548
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$526,360
Approved Developer Fee (in Project Cost & Eligible Basis):	\$685,140
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.94000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$4,544,268
Actual Eligible Basis:	\$6,385,743
Unadjusted Threshold Basis Limit:	\$9,599,904
Total Adjusted Threshold Basis Limit:	\$10,559,894

**Adjustments to Basis Limit:**

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Seniors</b>
Second:	<b>38.829%</b>

**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 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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.

**Special Issues/Other Significant Information:**

Re-syndication of project CA-1996-246, The Surf.

TCAC removed \$50,000 identified as seller interest buyout under acquisition costs, which resulted in a corresponding reduction in the total federal credits necessary for feasibility. TCAC has determined that the \$50,000 amount above the assumed debt on the property does not meet Section 10327(a) "development and operational costs shall be reasonable and within limits established by the Committee, and may be adjusted by the Committee at any time prior to the issuance of tax forms" or Section 13027(c) regarding reasonable cost determination.

Project granted a waiver of Section 10325(g)(2)(B) for the 38 one bedroom units that are slightly below the 500 square foot unit size requirement.

**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, City of Crescent City Housing Authority, has completed a site review of this project and strongly supports this project.

**Recommendation:** Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$526,360</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. 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 ten 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)(6) 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.

**Additional Conditions:** None

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1.5 miles of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**