

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 21, 2013

Project Number CA-13-865

Project Name 700 Block
 Site Address: 700 K Street
 Sacramento, CA 95814 County: Sacramento
 Census Tract: 11.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$857,163	\$0
Recommended:	\$857,163	\$0

Applicant Information

Applicant: 700 Block Investors, LP
 Contact: Ali Youssefi
 Address: 1006 4th Street, Suite 701
 Sacramento, CA 95814
 Phone: (916) 446-4040 Fax: (916) 446-4044
 Email: ali.cfy@gmail.com

General Partner(s) or Principal Owner(s): Community Revitalization and Development Corporation
 700 Block, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Community Revitalization and Development
 700 Block, LLC
 Developer: 700 Block, LLC
 Investor/Consultant: WNC & Associates, Inc.
 Management Agent: CFY Development, Inc.

Project Information

Construction Type: New Construction and Adaptive Reuse
 Total # Residential Buildings: 1
 Total # of Units: 137
 No. & % of Tax Credit Units: 84 61.76%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 Utility Allowance: CUAC
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 14
 Number of Units @ or below 60% of area median income: 70

Bond Information

Issuer: Housing Authority City of Sacramento
 Expected Date of Issuance: October 1, 2013
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Connie Harina

Unit Mix

42 SRO/Studio Units
 83 1-Bedroom Units
 12 2-Bedroom Units

 137 Total Units

<u>Unit Type & 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>
4 SRO/Studio	50%	50%	\$633
21 SRO/Studio	60%	60%	\$760
8 1 Bedroom	50%	50%	\$678
46 1 Bedroom	60%	60%	\$814
2 2 Bedrooms	50%	50%	\$813
3 2 Bedrooms	60%	60%	\$976
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,650
17 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,207
28 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,466
7 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,043

Project Financing

Estimated Total Project Cost: \$44,872,274
 Estimated Residential Project Cost: \$44,872,274

Residential

Construction Cost Per Square Foot: \$178
 Per Unit Cost: \$327,535

Construction Financing

<u>Source</u>	<u>Amount</u>
CitiBank	\$18,338,000
City of Sacramento - RDA	\$10,100,000
City of Sacramento Land Contribution	\$9,990,000
General Partner Loan	\$1,500,000
Deferred Reserves	\$378,898
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$2,065,377

Permanent Financing

<u>Source</u>	<u>Amount</u>
CitiBank	\$12,328,989
City of Sacramento - RDA	\$10,100,000
City of Sacramento Land Contribution	\$9,990,000
General Partner Loan	\$1,500,000
Deferred Developer Fee	\$2,381,656
Tax Credit Equity	\$8,571,629
TOTAL	\$44,872,274

Determination of Credit Amount(s)

Requested Eligible Basis:	\$33,572,669
130% High Cost Adjustment:	Yes
Applicable Fraction:	61.76%
Qualified Basis:	\$26,956,878
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$857,163
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$1.00000

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:	\$33,572,669
Actual Eligible Basis:	\$33,572,669
Unadjusted Threshold Basis Limit:	\$24,598,658
Total Adjusted Threshold Basis Limit:	\$35,156,996

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 16%

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 3.20% 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.

Special Issues/Other Significant Information:

This project is a mixed-income property consisting of a single five-story building atop a two-story underground parking garage connected to existing renovated commercial buildings. Of the project's 137 units, fifteen units will be located in the upper floors of existing buildings along K Street following rehabilitation. The remaining 122 units will be located in the newly constructed building.

Local Reviewing Agency:

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$857,163	\$0

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

Additional Conditions: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes on-site
- Wellness services and programs providing individualized support for tenants on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to become certified under the Green Point Rated Multifamily Guidelines.
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 125 standard.