

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2012 First Round**  
**July 11, 2012**

**Project Number** CA-12-023

**Project Name** Capitol Lofts  
 Site Address: 1108 R Street  
 Sacramento, CA 95811 County: Sacramento  
 Census Tract: 21.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,845,362	\$0
Recommended:	\$1,845,362	\$0

**Applicant Information**

Applicant: Capitol Lofts-Sacramento, LLC  
 Contact: Cyrus Youssefi  
 Address: 1006 4th Street, Suite 701  
 Sacramento, CA 95814  
 Phone: (916) 446-4040 Fax: (916) 446-4044  
 Email: cfyinc@yahoo.com

General partner(s) or principal owner(s): Cyrus Youssefi, Individually  
 General Partner Type: For Profit  
 Developer: Capitol Lofts-Sacramento, LLC  
 Investor/Consultant: WNC & Associates, Inc.  
 Management Agent: CFY Development, Inc.

**Project Information**

Construction Type: New Construction & Adaptive Reuse  
 Total # Residential Buildings: 2  
 Total # of Units: 116  
 No. & % of Tax Credit Units: 86 75%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: N/A  
 Utility Allowance: CUAC  
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	9	10 %
40% AMI:	18	20 %
50% AMI:	35	40 %

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

74 SRO/Studio Units  
 9 1-Bedroom Units  
 7 2-Bedroom Units  
26 3-Bedroom Units  
 116 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 SRO/Studio	30%	30%	\$399
14 SRO/Studio	40%	40%	\$533
12 SRO/Studio	50%	50%	\$666
15 SRO/Studio	60%	60%	\$799
1 1 Bedroom	30%	30%	\$428
2 1 Bedroom	40%	40%	\$571
4 1 Bedroom	50%	50%	\$713
1 1 Bedroom	60%	60%	\$856
1 2 Bedrooms	30%	30%	\$513
2 2 Bedrooms	40%	40%	\$685
3 2 Bedrooms	50%	50%	\$856
1 2 Bedrooms	60%	60%	\$1,027
3 3 Bedrooms	30%	30%	\$593
16 3 Bedrooms	50%	50%	\$989
7 3 Bedrooms	60%	60%	\$1,187
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
29 Studio Units	Market Rate	Market Rate	\$1,048

**Project Financing**

Estimated Total Project Cost:	\$40,536,804
Estimated Residential Project Cost:	\$37,722,263
Estimated Commercial Project Cost:	\$2,814,541

**Residential**

Construction Cost Per Square Foot:	\$130
Per Unit Cost:	\$325,192

**Construction Financing**

Source	Amount
Umpqua Bank	\$20,534,605
Deferred Reserves	\$228,502
CADA Soil Remediation Loan	\$774,000
CADA Lofts Building Loan	\$6,280,617
HCD Grants/Loans	\$4,946,080
CADA Loan	\$1,200,000
Pit Land CADA Loan 1%	\$973,000
Deferred Developer Fee	\$2,000,000
Tax Credit Equity	\$6,280,617

**Permanent Financing**

Source	Amount
Umpqua Bank	\$7,997,007
CADA Loan	\$700,000
CADA Lofts Building Loan	\$3,600,000
HCD Grants/Loans	\$4,946,080
CADA Soil Remediation	\$774,000
Pit Land CADA Loan	\$973,000
Deferred Developer fee	\$611,326
Historic Tax Credit Equity	\$2,850,843
Tax Credit Equity	\$18,084,548
<b>TOTAL</b>	<b>\$40,536,804</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$25,309,082
130% High Cost Adjustment:	Yes
Applicable Fraction: (based on square footage)	74.78%
Qualified Basis:	\$24,604,829
Applicable Rate:	7.50%
Total Maximum Annual Federal Credit:	\$1,845,362
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.98000

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:	\$25,309,082
Actual Eligible Basis:	\$31,615,086
Unadjusted Threshold Basis Limit:	\$19,220,342
Total Adjusted Threshold Basis Limit:	\$27,427,824

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Large Family</b>
Second:	<b>36.238%</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 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 7.50%. 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, mixed-use, large family project located on the R Street Corridor. It involves the new construction of a 66-unit, 4-story building plus underground parking at the corner of 12th Street and R Street and 50 units from the adaptive reuse of the existing 6-story warehouse building plus underground parking. The two buildings will be immediately adjacent to each other and their floors and parking garages will be internally connected to function as a single building. The parking is provided as part of the rent under the rent and income limits. In addition, the project will include approximately 11,000 square feet of commercial space.

**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, the Sacramento Housing and Redevelopment Agency, has completed a site review of this project and 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>\$1,845,362</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:** At the 90-day submission of the Letter of Intent from the project's equity partner required under regulation section 10325(c)(8), the Letter of Intent must include the historic tax credits and historic tax credit equity as part of the agreement in addition to the low-income housing tax credits and low-income housing tax-credit equity.

<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 transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Large Family proj. w/i ¼ mile of public school project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY HOUSING TYPE			
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>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Multifam	5	5	5
Develop project to requirements of: GreenPoint Rated Multifami 125	5	5	5
<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.**