

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 15, 2017

Bel-Vue Apartments, located at 1117-1123 8th Street in Sacramento, requested and is being recommended for a reservation of \$182,322 in annual federal tax credits to finance the acquisition and rehabilitation of 21 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by C.F.Y. Development, Inc. and Egis Group, Inc. and is located in Senate District 6 and Assembly District 7.

Project Number CA-17-717

Project Name Bel-Vue Apartments
 Site Address: 1117-1123 8th Street
 Sacramento, CA 95814 County: Sacramento
 Census Tract: 11.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$182,322	\$0
Recommended:	\$182,322	\$0

Applicant Information

Applicant: Bel Vue Apartments, LP
 Contact: Ali Youssefi
 Address: 1006 4th Street, Ste. 701
 Sacramento, CA 95814
 Phone: 916-446-4040 Fax: 916-446-4044
 Email: ali.cfy@gmail.com

General Partner(s) or Principal Owner(s): Ali Youssefi / Cyrus Youssefi
 Egis Group, Inc.
 Community Revitalization and Development Corp.

General Partner Type: Joint Venture

Parent Company(ies): Ali Youssefi / Cyrus Youssefi
 Egis Group, Inc.
 Community Revitalization and Development Corp.

Developer: C.F.Y. Development, Inc. / Egis Group, Inc.

Investor/Consultant: Boston Capital

Management Agent: C.F.Y. Development, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 22
 No. & % of Tax Credit Units: 21 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 5
 Number of Units @ or below 60% of area median income: 16

Bond Information

Issuer: Housing Authority of Sacramento
 Expected Date of Issuance: June 1, 2017
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Alex Ninh

Unit Mix

22 1-Bedroom Units
 22 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	30%	\$390
16 1 Bedroom	60%	60%	\$781
1 1 Bedroom	Manager's Unit	Manager's Unit	\$728

Projected Lifetime Rent Benefit: \$7,097,640

Project Cost Summary at Application

Land and Acquisition	\$535,033
Construction Costs	\$0
Rehabilitation Costs	\$3,228,055
Construction Contingency	\$322,806
Relocation	\$0
Architectural/Engineering	\$282,587
Const. Interest, Perm. Financing	\$242,875
Legal Fees, Appraisals	\$111,152
Reserves	\$113,851
Other Costs	\$296,907
Developer Fee	\$684,981
Commercial Costs	\$1,647,245
Total	\$7,465,492

Project Financing

Estimated Total Project Cost:	\$7,465,492
Estimated Residential Project Cost:	\$5,818,247
Estimated Commercial Project Cost:	\$1,647,245

Residential

Construction Cost Per Square Foot:	\$180
Per Unit Cost:	\$264,466
True Cash Per Unit Cost*:	\$257,460

Construction Financing

Source	Amount
Chase Bank	\$3,817,364
SHRA Deferred Loan	\$2,300,000
Deferred Reserves	\$123,709
Deferred Developer Fee	\$684,981
Tax Credit Equity	\$539,439

Permanent Financing

Source	Amount
Chase Bank - Residential	\$99,891
Chase Bank - Retail	\$1,374,980
SHRA Loan	\$3,300,000
Deferred Developer Fee	\$154,128
Historic Tax Credit Equity	\$895,598
Tax Credit Equity	\$1,640,895
TOTAL	\$7,465,492

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,980,434
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$522,995
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,174,564
Qualified Basis (Acquisition):	\$522,995
Applicable Rate:	3.22%
Maximum Annual Federal Credit, Rehabilitation:	\$165,482
Maximum Annual Federal Credit, Acquisition:	\$16,840
Total Maximum Annual Federal Credit:	\$182,322
Approved Developer Fee (in Project Cost & Eligible Basis):	\$684,981
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.90000

Per Regulation Section 10322(h)(9)(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:	\$4,503,429
Actual Eligible Basis:	\$4,503,429
Unadjusted Threshold Basis Limit:	\$5,150,420
Total Adjusted Threshold Basis Limit:	\$8,034,655

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 46%

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 3.22% 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: None.

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
\$182,322	\$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 fifteen (15) 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 off-site within 1/2 mile for a minimum of 84 hours per year
- Wellness services and programs providing individualized support for tenants off-site within 1/2 mile