

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 18, 2017**

800 Block, located at 800 K Street & 801 L Street in Sacramento, requested and is being recommended for a reservation of \$340,108 in annual federal tax credits to finance the new construction of 30 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by C.F.Y. Development, Inc. and Egis Group, Inc. and will be located in Senate District 6 and Assembly District 7.

The project financing includes state funding from CalHFA.

Project Number CA-17-786

Project Name 800 Block
Site Address: 800 K Street & 801 L Street
Sacramento, CA 95814 **County:** Sacramento
Census Tract: 11.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$340,108	\$0
Recommended:	\$340,108	\$0

Applicant Information

Applicant: 800 Block Investors, LP
Contact: Ali Youssefi
Address: 1724 10th Street, Ste. 120
Sacramento, CA 95811
Phone: (916) 446-4040 **Fax:** (916) 446-4044
Email: ali.cfy@gmail.com

General Partner(s) or Principal Owner(s): 800 Block Partners, LLC
Community Revitalization and Development Corp.
General Partner Type: Joint Venture
Parent Company(ies): Ali Youssefi, Manager / Member
SBH Real Estate Group LLC, a Delaware LLC
Community Revitalization and Development Corp.
Developer: C.F.Y. Development, Inc. / Egis Group, Inc.
Investor/Consultant: WNC, Inc.
Management Agent: C.F.Y. Development, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 150
 No. & % of Tax Credit Units: 30 20.13%
 Federal Set-Aside Elected: 20%/50%
 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: 30

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: December 31, 2017
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Lucy Vang

Unit Mix

21 SRO/Studio Units
 99 1-Bedroom Units
 24 2-Bedroom Units
 6 3-Bedroom Units

 150 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
17 SRO/Studio	50%	50%	\$650
13 1 Bedroom	50%	50%	\$696
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
3 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,500
1 SRO/Studio	Market Rate Unit	Market Rate Unit	\$2,500
15 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,670
62 1 Bedroom	Market Rate Unit	Market Rate Unit	\$2,300
8 1 Bedroom	Market Rate Unit	Market Rate Unit	\$2,850
20 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$3,100
4 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$3,600
6 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$3,600

Projected Lifetime Rent Benefit: \$19,805,940

Project Cost Summary at Application

Land and Acquisition	\$5,459,851
Construction Costs	\$41,983,856
Rehabilitation Costs	\$0
Construction Contingency	\$2,228,505
Relocation	\$0
Architectural/Engineering	\$1,670,814
Const. Interest, Perm. Financing	\$4,190,528
Legal Fees, Appraisals	\$366,651
Reserves	\$958,818
Other Costs	\$3,257,226
Developer Fee	\$5,000,000
Commercial Costs	\$4,646,750
Total	\$69,762,999

Project Financing

Estimated Total Project Cost:	\$69,762,999
Estimated Residential Project Cost:	\$64,757,400
Estimated Commercial Project Cost:	\$5,005,599

Residential

Construction Cost Per Square Foot:	\$320
Per Unit Cost:	\$431,716
True Cash Per Unit Cost*:	\$409,428

Construction Financing

Source	Amount
JP Morgan Chase Bank, N.A.	\$55,344,536
Developer Equity	\$6,000,000
Deferred Costs / Reserves	\$1,782,869
Deferred Developer Fee	\$5,000,000
Tax Credit Equity	\$1,635,594

Permanent Financing

Source	Amount
CalHFA	\$55,130,430
CalHFA Soft Loan	\$1,800,000
Developer Equity	\$6,000,000
Deferred Developer Fee	\$3,601,543
Tax Credit Equity	\$3,231,026
TOTAL	\$69,762,999

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$51,790,761
130% High Cost Adjustment:	Yes
Applicable Fraction:	15.64%
Qualified Basis:	\$10,530,611
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$340,108
Approved Developer Fee in Project Cost:	\$5,000,000
Approved Developer Fee in Eligible Basis:	\$4,641,151
Investor/Consultant:	WNC, Inc.
Federal Tax Credit Factor:	\$0.95000

Per Regulation Section 10327(c)(6), 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:	\$51,790,761
Actual Eligible Basis:	\$57,513,547
Unadjusted Threshold Basis Limit:	\$36,387,288
Total Adjusted Threshold Basis Limit:	\$51,790,762

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

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 3.25% 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:

Project is a mixed-used project consisting of 30 low-income units and 119 market rate units.

TCAC Regulation Section 10327(g)(7) requires applicants to provide a 15 year pro forma of residential costs separately from commercial costs. As a result, the applicant apportioned an equivalent amount of the permanent loan to commercial cost and debt service to comply with TCAC regulation requirements.

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
\$340,108	\$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: None.