

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 8, 2008

Project Number CA-2008-915

Project Name Gleason Park
Address: 411 South Stanislaus St.
Stockton, CA 95202

County: San Joaquin

Applicant Information

Applicant: Mercy Housing of California
Contact: Paul Ainger
Address: 3120 Freeboard Dr., Suite 202
West Sacramento, CA 95691
Phone: (916) 414-4461
Email: painger@mercyhousing.org
Sponsors Type: Nonprofit

Fax: (916) 414-4490

Information

Housing Type: Large Family

Bond Information

Issuer: CA Municipal Finance Corp
Expected Date of Issuance: 11/01/2008
Credit Enhancement: No

Eligible Basis

Actual: \$27,923,074
Requested: \$27,923,074
Maximum Permitted: \$33,784,968

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
Local Development Impact Fees:
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between
50% AMI & 36% AMI: 48%

Tax Credit Amounts

	Federal/Annual	State/Total
Requested:	\$1,270,500	\$0
Recommended:	\$1,270,500	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 93
Total # Residential Buildings: 10

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 92 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 44
Number of Units @ or below 60% of area median income: 48

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 One-Bedroom	50%	\$344
4 One-Bedroom	50%	\$459
6 One-Bedroom	60%	\$574
5 Two-Bedroom	50%	\$414
16 Two-Bedroom	50%	\$552
23 Two-Bedroom	60%	\$690
3 Three-Bedroom	50%	\$478
9 Three-Bedroom	50%	\$637
14 Three-Bedroom	60%	\$796
1 Four-Bedroom	50%	\$533
4 Four-Bedroom	50%	\$711
5 Four-Bedroom	60%	\$866
1 Two-Bedroom	Managers Unit	\$0

The general partner(s) or principal owner(s) are Mercy Housing California

The project developer is Mercy Housing California

The management services will be provided by Mercy Services Corporation

The market analysis was provided by Raney Planning and Management

The Local Reviewing Agency, the City of Stockton, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$30,652,443 Per Unit Cost: \$4,532 Construction Cost Per Sq. Foot: \$241
 Construction Financing Permanent Financing

Source	Amount	Source	Amount
Wells Fargo Bank	\$18,000,000	HCD – MHP	\$7,206,955
Stockton Redevelopment Agency	\$5,509,000	Stockton RDA (including interest)	\$5,567,763
City of Stockton loan of HCD infill funds	\$1,482,285	City of Stockton loan HCD infill	\$1,482,285
City of Stockton HOME funds	\$1,200,000	City of Stockton HOME funds	\$1,212,800
City of Stockton land donation	\$1,500,000	City of Stockton land donations	\$1,500,000
Investor Equity	\$400,000	AHP	\$465,000
		GP Equity	\$1,229,415
		Deferred Developer Fee	\$90,000
		Investor Equity	\$11,898,224
		TOTAL	\$30,652,442

Determination of Credit Amount(s)

Requested Eligible Basis:	\$27,923,074
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$36,299,996
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$1,270,500
Approved Developer Fee:	\$2,500,000
Tax Credit Factor: California Municipal Finance Corp.	\$0.9365

Applicant requests and staff recommends annual federal credits of \$1,270,500 based on a qualified basis of \$36,299,996 and a funding shortfall of \$11,898,225.

Cost Analysis and Line Item Review

The requested eligible basis \$27,923,074 is below TCAC's adjusted threshold basis limit \$33,784,968. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, local development impact fees, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

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

Federal/Annual	State/Total
\$1,270,500	\$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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 ongoing an after school program and educational classes 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.

Project Analyst: Benjamin Schwartz