

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2009 Cash in Lieu of Credits – TCAP Funds & HCD Loan Guarantee
August 26, 2009

Project Number CA-2009-553

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

County: San Joaquin

Applicant Information

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

Fax: (916) 414-4490

General Partner Type: Nonprofit
The general partner or principal owner is Mercy Housing California

Project Information

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

Information

Housing Type: Large Family
Proposed Average Affordability: 43.96

Davis-Bacon Required: No

NEPA Required: Yes

State Prevailing Wages Required: Yes

2008 TCAC Project Number: CA-2008-915

Federal/Annual

2008 Federal Tax Credits Reserved: \$1,270,500

2008 Federal Tax Credits Retained: \$100

2008 Federal Reserved Tax Credits Exchanged/Returned: \$1,270,400

Original Net Equity Factor: (Max .85 for 2008 & .80 for 2009) .7074 Fed

Calculated Amount of Cash Requested: $(\$1,270,400 \times 10 \times .7074) = \$8,987,599$

Total Cash Award Recommended: \$8,987,599

HCD Loan Guarantee Requested: \$7,206,955

HCD Loan Guarantee Recommended: **\$7,206,955**

ARRA Scoring Criteria	Max. Possible Points	Points Awarded
<i>DDA Bonus Points</i>	25	25
<i>Housing Type Points (Maximum of 50 points)</i>		
<input checked="" type="checkbox"/> Large Family/Senior Project	10	10
<i>Total Project Cost/Cash Request Points (Maximum of 100 points)</i>		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$30,652,443		
Cash Award Request: \$8,987,599		
Total Points Awarded: $100 - (\$8,987,599 / \$30,652,443 \times 100) = 70.6790$	100	70.6790
<i>Total Average Affordability Points (Maximum of 100 points)</i>		
Projects Original Proposed Average Affordability: 43.96%		
$60\% - \text{Average Affordability} \times 5 \text{ Points} = (60\% - 43.96\%) \times 5 = 80.1765$	100	80.1765
Total Points	275	185.8555

Approved 2008 TCAC Proposed Rent and Income Levels

<u>Unit Type & Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
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

Project Financing

Estimated Total Project Cost: \$26,667,839 Per Unit Cost: \$286,751

Wells Fargo Bank	\$8,400,000	HCD – MHP ARRA Guarantee	\$7,206,955
Stockton Redevelopment Agency	\$5,509,000	Stockton Redevelopment Agency	\$5,508,150
City of Stockton loan of HCD infill funds	\$1,482,285	City of Stockton loan of HCD infill funds	\$1,482,285
City of Stockton HOME funds	\$1,982,000	City of Stockton HOME funds	\$1,982,000
City of Stockton land donation	\$1,500,000	City of Stockton land donation	\$1,500,000
HCD – MHP ARRA Guarantee	\$2,882,782	Investor Equity	\$850
Deferred Cost and Fees	\$1,316,732	TCAC ARRA Funds	\$8,987,599
TCAC ARRA Funds	\$3,595,040	TOTAL	\$26,667,839

Income and Expense Statement for Year 1

Gross Residential Rents:	\$635,808
Miscellaneous Income:	\$2790
Vacancy Rate: 5%	(\$31,790)
Total Effective Gross Income:	\$606,808
Less Total Expenses/Reserves:	\$531,192
Net Operation Income:	\$75,616
Debt Service:	\$30,269
Net Cash Flow	\$45,346
Debt Service Ratio:	2.49 to 1

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Standard Conditions

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.