

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

Project Number CA-2009-567

Project Name The Crossings at Morgan Hill
Site Address: 170 Wright Avenue
Morgan Hill, CA 95037 County: Santa Clara

Applicant Information

Applicant: UHC 00381 Morgan Hill, L.P.
Sponsor: John Bigley
Address: 2000 East 4th Street, Suite 205
Santa Ana, CA 92705
Phone: (714) 835-3955 **Fax:** (714) 835-3275
Email: jbigley@uhcllc.net

General Partner Type: Joint Venture
The general partners or principal owners are UHC 00381 Morgan Hill Holdings LLC and Heritage Community Housing Inc.

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 24
Total # Residential Buildings: 5

Information

Housing Type: Large Family
Proposed Average Affordability: 30.4025

Davis-Bacon Required: No

NEPA Required: No

State Prevailing Wages Required: Yes

2008 TCAC Project Number: CA-2008-914

	Federal Credit	State Credit
Original 2008 Federal & State Tax Credits Reserved:	\$243,102	\$404,725

2008 Federal & State Tax Credits Retained:	\$243,102	\$404,725
---	-----------	-----------

	Federal Credit	State Credit
Amount of Gap Financing Requested:	15 Cents	10 Cents

Current Net Equity Factor:	.70	.50
-----------------------------------	------------	------------

	Federal Calculation	State Calculation
Amount of Net Equity Factor Requested:	(\$243,102 X 10 X .15) = \$364,653	(\$404,725 X .10) = \$40,472

Amount of Gap Financing Recommended: \$405,125

HCD Loan Guarantee Requested: \$2,081,112

HCD Loan Guarantee Recommended: \$2,081,112

ARRA Scoring Criteria	Max. Possible Points	Points Awarded
DDA Bonus Points	25	0
Housing Type Points (Maximum of 50 points)		
<input checked="" type="checkbox"/> Large Family/Senior Project	10	10
Total Project Cost/Cash Request Points (Maximum of 100 points)		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$8,524,718		
Cash Award Request: \$405,125		
Total Points Awarded: $100 - (\$405,125 / \$8,524,718 \times 100) = 95.2476$	100	95.2476
Total Average Affordability Points (Maximum of 100 points)		
Projects Original Proposed Average Affordability: 30.4025%		
60% - Average Affordability X 5 Points = $(60\% - 30.4025\%) \times 5 = 147.9875$	100	100
Total Points	275	205.2476

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)
9 Three-Bedroom	25%	\$689
6 Three-Bedroom	30%	\$827
7 Three-Bedroom	35%	\$965
2 Three-Bedroom	40%	\$1,103

Project Financing

Estimated Total Project Cost: \$8,524,719 Per Unit Cost: \$355,196

US Bank – Tax Exempt Bonds	\$4,800,000	US Bank – Tax Exempt Bonds	\$950,000
City of Morgan Hill RDA	\$2,450,000	City of Morgan Hill RDA	\$2,450,000
TCAC ARRA Funds	\$405,125	FHLB – AHP	\$120,000
Deferred Developer Fee	\$390,490	Deferred Developer Fee	\$502,407
Investor Equity	\$479,104	Cash Flow During Rehab	\$112,000
		HCD – MHP ARRA Guarantee	\$2,081,112
		TCAC ARRA Funds	\$405,125
		Investor Equity	\$1,904,705
		TOTAL	\$8,524,719

Income and Expense Statement for Year 1

Gross Residential Rents:	\$227,088
Miscellaneous Income:	\$3,900
Vacancy Rate: 5%	(\$11,549)
Total Effective Gross Income:	\$219,439
Less Total Expenses/Reserves:	\$124,305
Net Operation Income:	\$95,134
Debt Service:	\$82,681
Net Cash Flow	\$12,453
Debt Service Ratio:	1.15 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.