

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 26, 2007

Project Number CA-2007-884

Project Name Mercy Village Folsom
Address: 1100-1190 Duchow Way
 Folsom, CA 95630 County: Sacramento

Applicant Information

Applicant: Mercy Housing California V, a California Limited Partnership
Contact Greg Sparks
Address: 3120 Freeboard Drive, Suite 202
 West Sacramento, CA 95691
Phone: (916) 414-4439 Fax: (916) 414-4490
Sponsors Type: Nonprofit

Bond Information

Issuer: CalHFA
Expected Date of Issuance: October 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$5,386,704
Requested: \$5,386,704
Maximum Permitted: \$12,008,620

Extra Feature Adjustments: None

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$252,058	\$0
Recommended:	\$252,058	\$0

Project Information

Construction Type: Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 81
Total # Residential Buildings: 10

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 80 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 80

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 Studio Units	50%	\$587
14 One-Bedroom Units	50%	\$630
58 Two-Bedroom Units	50%	\$756
1 Two-Bedroom Unit	Manager's Unit	\$0

The general partner or principal owner is Mercy Properties Inc.

The project developer is Mercy Housing California.

The management services will be provided by Mercy Services Corporation.

The market analysis was provided by Laurin and Associates.

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

Project Financing

Estimated Total Project Cost: \$5,766,627 Per Unit Cost: \$71,193 Construction Cost Per Sq. Foot: \$66

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CalHFA HAT	\$1,000,000	CalHFA HAT	\$1,000,000
CalHFA Loan to Lender (through Folsom Redevelopment Agency)	\$3,680,866	City of Folsom Redevelopment Agency	\$1,215,000
National Equity Fund Loan	\$150,000	National Equity Fund	\$150,000
		General Partner	\$867,716
		Accrued Interest	\$5,960
		Investor Equity	\$2,527,951
		TOTAL	\$5,766,627

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,386,704
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$7,002,715
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$252,058
Approved Developer Fee:	\$702,614
Tax Credit Factor:	\$1.0029

Applicant requests and staff recommends annual federal credits of \$252,058 based on a qualified basis of \$7,002,715 and a funding shortfall of \$2,527,951.

Cost Analysis and Line Item Review

The requested eligible basis \$5,386,704 is below TCAC's adjusted threshold basis limit \$12,008,620. 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 3.60% 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: 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.

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
\$252,058	\$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.

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 after school programs 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: Anthony Zeto