

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency/Credit Reduction/Public Funds Maximum of 20 points	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
Owner / Management Characteristics Maximum of 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Housing Needs Maximum of 10 points	10	10	10
Site Amenities Maximum of 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of public library	2	2	2
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and	4	4	4
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
Service Amenities Maximum of 10 points	10	10	10
<input checked="" type="checkbox"/> Direct client services where a contract is in place at the time of application	5	5	5
<input checked="" type="checkbox"/> Bona fide service coordinator available	5	5	5
Neighborhood Revitalization Maximum of 9 points	9	9	9
Sustainable Building Methods Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Construction Indoor Air Quality Management plan	2	2	2
Lowest Income Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed Maximum of 20 points	20	20	20
State credit substitution Maximum of 2 points	2	2	2
Total Points	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**
 First: Housing Type **Special Needs**
 Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**
 Third: Calculated Ratio per Regulation 10325(c)(12) **62.677%**

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
18 Studio Units	30%	\$256
19 1-Bedroom Units	30%	\$256
19 Studio Units	50%	\$256
18 1-Bedroom Units	50%	\$256
1 2-Bedroom	Manager's unit	\$0

The general partner or principal owner is Mercy Housing CalWest

The project developer is Mercy Housing California

The management agent is Mercy Services Corporation

The market analyst is Laurin & Associates

The Local Reviewing Agency, Sacramento Housing and Redevelopment Agency, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$23,209,736 Per Unit Cost: \$309,463 Construction Cost Per Sq. Foot: \$304

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$12,586,000	MHP/Supportive Housing Program	\$7,814,000
SHRA	\$5,304,000	CalHFA/MHSA	\$2,500,000
SHRA – Grant	\$1,273,000	SHRA	\$1,273,000
Deferred Costs	\$2,481,053	AHP	\$562,500
Accrued/Deferred Interest	\$413,183	Deferred Developer Fee	\$452,500
Deferred Developer Fee	\$452,500	Investor Equity	\$10,607,736
Investor Equity	\$700,000	TOTAL	\$23,209,736

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,520,016
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$325,520
Qualified Basis:	\$15,950,500
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit:	\$1,013,545
Total State Credit:	\$3,756,005
Approved Developer Fee:	\$1,400,000
Tax Credit Factor: California Housing Partnership	\$0.83130

Applicant requested annual federal credits of \$1,276,040 based on a qualified basis of \$15,950,500 and a funding shortfall of \$10,607,736. Staff recommends annual federal credits of \$1,013,545 and total state credit of \$3,756,005 based on a qualified basis of \$15,950,500 and a funding shortfall of \$10,607,736. Please see special issues section of this report.

Cost Analysis and Line Item Review

The requested eligible basis \$12,520,016 is at TCAC’s threshold basis limit \$12,520,016. The basis limit was increased by the following extraordinary features: projects that are required to pay state or federal prevailing wages, projects where 100% of the units are for special needs populations, projects that include distributive energy technologies such as micro turbines and/or renewable energy sources such as solar, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system, using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, using vent kitchen range hoods to the exterior of the building in at least 80% of the units,

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 **8.00%** 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: TCAC requested and the applicant agreed to exchange \$262,495 in annual federal credit for \$3,756,005 in total state credit.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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/Annual	State/Total
\$1,013,545	\$3,756,005

Standard Conditions

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 and state credit** 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.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(8) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

Additional Conditions:

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: BRS