

**CITY OF MERCED, CA
APPLICATION FOR SECTION 108 LOAN GUARANTEE**

FROM

**U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT APPROVED**

**CHILDS COURT APARTMENTS
Northwest Corner of B Street & E. Childs Avenue, Merced, CA**

REQUESTED LOAN - \$1,706,329

July 10, 2020

Childs Court Apartments

Previously known as the Childs & B Street TOD Affordable Housing Project, the Childs Court Apartments is an affordable housing project developed by the Central Valley Coalition for Affordable Housing and The Richman Group. The project will provide new housing opportunities and supportive services to low-income families and individuals.

The 4-acre site is bound by a partially constructed storm basin and Childs Avenue to the south, B Street to the east, by existing apartments to the west, and by existing businesses and county services to the north. Working closely with the City, the project will transform the storm basin into a combination park and drainage management facility. Street improvements along both project street frontages will be engineered by the City, with additional extended right-of-way (ROW) work done beyond the project frontages. Street frontage improvements include new lighting, street trees, and sidewalks/curb/gutter on Childs Avenue and B Street.

The development will be a courtyard-style community comprised of five 3-story wood frame walk up buildings. The buildings vary in size from 6,920 square feet to 34,240 square feet with the total floor area at 117,224 square feet. There will be 119 residential dwelling units with a mix of one, two-, and three-bedroom apartments. A two-bedroom manager's unit is included. The multi-family project will be restricted to extremely low- and low-income households. The project is eligible for low-income housing tax credits (LIHTCs).

The unit breakdown for the project includes:

	First Floor (L01)	Second Floor (L02)	Third Floor (L03)	Total	Percent
Supportive 1 BR (636 sf)	10	10	10	30	25.2%
1 BR (634 sf)	8	8	4	17	14.3%
2 BR (889 sf)	12	12	10	36	30.25%
3 BR (1,194 sf)	12	12	11	36	30.25%
TOTAL	42	42	35	119	
Affordability Levels	Total	Percent			
30% AMI	30	25%			
50% AMI	88	75%			
TOTAL	118*	*unit difference due to Manager's			

Located near the secured main entrance, a community center of approximately 3,890 square feet includes 700 square feet of common room, manager's, and service providers' offices, multi-purpose room, fitness room, mailboxes, restrooms, and laundry facilities. The adjacent central courtyard has a patio and barbeque area, swimming pool, and children's play areas, as well as other spaces for recreation and gardening.

Lastly, the project's parking will be covered by solar PV system canopies, as well as infrastructure for future electric vehicle charging stations. The project will exceed residential energy codes by at least 10-20%, be constructed in accordance with CA Green Energy Code and be certified at the gold level in the Green Point Rated multifamily sustainable building system.

Development Team

A development partnership, Merced CA Apartments, LLC, has been established between the Richman Group and the Central Valley Coalition for Affordable Housing (CVCAH). The Richman Group has created the Merced CA GP LLC to serve as the partnership's General Partner. CVCAH, a local non-profit also designated as a community housing development organization (CHDO), will create a new partnership to serve as a co-General Partner. The Richman Group, through its Richman Group Affordable Housing Corporation, will serve as a limited partner. The Richman Group will guarantee construction completion as well as operations. The Richman Group holds 1,500 developments with 115,000 units representing over \$20 Billion in development costs.

The partnership has hired Pyatok to provide design services as well as Huff Construction as their general contractor. All has significant experience designing and constructing affordable multi-family housing. The initial schedule for the project is:

Environmental Review Completed	July 2020
Approval of 108 Application Submittal	July 2020
Acquisition of Property	September 2020
HUD Approval of 108 Loan	September 2020
Construction Begins	October 2020
HUD 108 Loan Closes and Funds	October 2020
Construction Complete	May 2022

Total development sources and uses are estimated at \$48,250,634 with the City seeking a \$1,706,329 Section 108 loan to support the project.

Preliminary Development Sources and Uses

<u>Development Uses</u>	<u>Budget</u>	<u>Percent</u>
<i>Acquisition Costs</i>	\$1,280,000	3%
<i>Professional Fees</i>	\$2,223,740	5%
<i>Fees & Permits</i>	\$2,142,000	4%
<i>Construction Costs</i>	\$31,609,822	66%
<i>Financing Costs</i>	\$2,621,329	5%
<i>Other Costs</i>	\$8,373,743	17%
TOTAL DEVELOPMENT COSTS	\$48,250,634	

<u>Permanent Funding Sources</u>		<u>Amount</u>	<u>Percent</u>
Bank of America Merrill Lynch		\$3,000,000	6%
City of Merced		\$6,601,329	14%
HOME Funds	\$1,145,000		
HUD 108 Loan Proceeds	\$1,706,329		
Central Valley Coalition for Affordable Housing (CAAH)		\$2,500,000	5%
CA – AHSC Funds		\$11,087,000	23%
Deferred Development Fee		\$100,000	.2%
LIHTC Tax Credit Equity		\$21,762,305	45%
State Tax Credit	\$4,579,262		
Equity Contribution		\$3,200,000	7%
Deferred Permits & Fees (70%)			
TOTAL DEVELOPMENT COSTS		\$48,250,634	

The development team has provided commitment letters from Bank of America to provide construction period and permanent financing. Commitments are in place from public partners; the City of Merced, CA, California Tax Credit Allocation Committee, the California Department Housing and Community Development. Project partners, the Central Valley Coalition for Affordable Housing and the Richman Group have also provided commitment letters evidencing provision of their funding responsibilities. The project has additionally been awarded HOME funding as well as Section 8 vouchers.

Section 108 Submission Requirements

The project has been referenced numerous times in the City of Merced's Consolidated Plan and 2019 HUD Annual Action Plan. The Childs Court Apartment supports the permanent supportive housing goals of the City while addressing Homeless Services.

Specific to the HUD Section 108 loan:

Compliance with 24 CFR 570.208 - National Objectives.

The loan for the Childs Court Apartments meets the following National Objective:

The assisted activity complies with the following national objective as required under § 570.208(a)(2)(i)(B):

- (a) *Activities benefiting low- and moderate-income persons. Activities meeting the criteria in paragraph (a)(3)(i) An eligible activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households. This would include, but not necessarily be limited to, the acquisition or rehabilitation of property by the recipient, a subrecipient, a developer, an individual homebuyer, or an individual homeowner; conversion of non-residential structures; and new housing construction. If the structure contains two dwelling units, at least one must be so occupied, and if the structure contains more than two dwelling units, at least 51% of the units must be so occupied. Where two or more rental buildings being assisted are or will be located on the same or contiguous properties, and the buildings will be under common ownership and management, the grouped buildings may be considered for this purpose as a single structure.*

For the Childs Court Apartments, all of the residential units will be made available to households at or below 80% AMI. As shown in the prior affordability chart, 100% of the units will be made available to households at or below 50% AMI.

Compliance with 24 CFR 570.703 – Eligible Activities

HUD regulations do not allow for the use of CDBG / 108 Loan proceeds for direct new housing construction costs. However, HUD Community and Planning Development (CPD) guidance clarifies project costs can access CDBG without being seen as being used for direct housing construction. Using that guidance, HUD Section 108 loan proceeds would be directed to the following eligible activities and are highlighted in the Development Budget included in the financial summary included as an exhibit to this application:

- 570.703 (c) – Payment of interest on obligations guaranteed under this subpart.
- 570.703 (g) – *payment of issuance, underwriting, servicing, trust administration and other costs associated with private sector financing of debt obligations under this subpart.*
- 570.703 (I) – *Acquisition, construction, reconstruction, rehabilitation or historic preservation, or installation of public facilities (except for buildings for the general conduct of government) to the extent eligible under 570.201 (c), including public streets, sidewalks, other site improvements and*

public utilities, and remediation of known or suspected environmental contamination in conjunction with these activities. Remediation may include project-specific environmental assessment costs not otherwise eligible under 570.205.

§ 570.201 (c) Public facilities and improvements.

*“Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except as provided in 570.207 (a), carried out by the recipient or **other public or private nonprofit entities.** (emphasis added)*

.... In undertaking such activities, design features and improvements which promote energy efficiency may be included. Section 108 funds would be used for alternative energy systems for the project.

- 570.207 (3) – New housing construction. For the purpose of this paragraph, activities in support of the development of low- or moderate-income housing including clearance, site assemblage, provision of public improvements and certain housing pre-construction costs set forth on 570.206 (g), are not considered as activities to subsidize or assist new residential construction.
 - 570.206(g) Administrative expenses to facilitate housing. HUD guidance allows funding for project “soft costs”. As such, HUD 108 funds would be used to fund architectural costs as well as portions of a development fee for managing the pre-construction requirements of the project.

The City will provide 108 funding to the Childs Court Apartments to fund the costs of the 108 loan, including HUD’s legal and closing costs, costs to construction alternative energy systems for the project, and pre-construction costs for design and development management.

Ability to Repay:

A Financial summary is included as an appendix to the Application. The operating pro forma shows an initial Debt Service Cover (DCR) for senior debt at 1.52. To be conservative, Section 8 vouchers are not provided after YR 15. Without Section 8 vouchers, cash flow drops significantly. Available cash flow, after paying senior debt ranges from a low of \$15,759 to a high of \$105,148, and this does not provide enough stability to be a repayment source to the City from project resources. This is due to the very low rent levels expected from the project. As a result, the City has decided to use its CDBG Entitlement as a primary source of 108 loan repayment.

Collateral: *An appraisal of the “as completed” project is being completed. However, similar to the issues identified in the Ability to Repay, the project is likely to have limited value. There is limited senior debt secured ahead of the City’s interest. The limited debt is due to the low rents projected for the project. Given the income regulatory agreements to be recorded with the property, the CDBG eligibility being achieved with the City’s 108 funding (as well as HOME funds) will remain in effect regardless of financial performance. This was also noted in the City’s HOME analysis.*

Developer / Owner Commitment: *Final confirmation of required equity will be provided before closing but is well within their prior experiences and has been documented with investor commitments. The partnership owning and developing Childs Court Apartments have significant experience with similar tax credit projects and have committed pre-development funding as well as permanent funding for the project*

Pledge of CDBG Guarantee

The City of Merced, CA fully understands that the project has limited abilities to repay annual debt service payments from project revenues. In response, the City of Merced will establish a line item in its CDBG Annual Action Strategy to set aside funds from their annual Entitlement Grant to make annual payments. The City will pledge its CDBG funds and all other applicable grants as security for the guarantee. The City will not pledge its general fund assets on behalf of HUD.

Schedule for City's Repayment of Loan

In requesting approval of this loan guarantee, the City of Merced is requesting a commitment for a 20-year term. The City of Merced will act as the borrower and issue the guaranteed debt obligations. The following initial principal repayment schedule is below.

<u>Date:</u>	<u>Principal:</u>	<u>Date:</u>	<u>Principal:</u>
August 1, 2020	0	August 1, 2032	90,000
August 1, 2021	75,000	August 1, 2033	95,000
August 2, 2022	75,000	August 2, 2034	95,000
August 2, 2023	80,000	August 2, 2035	95,000
August 1, 2024	80,000	August 1, 2036	100,000
August 1, 2025	85,000	August 1, 2037	100,000
August 2, 2026	85,000	August 2, 2038	100,000
August 2, 2027	85,000	August 2, 2039	106,329
August 1, 2028	90,000		
August 1, 2029	90,000		
August 2, 2030	90,000		
August 2, 2031	90,000		
	TOTAL		1,706,329

City of Merced Contact:

Scott McBride, Director of Development Services
City of Merced
678 18th Street
Merced, CA 95340
Ph: (209) 385-6818

Appendix

Project Financial Summary

SOURCES AND USES OF FUNDS**Merced- Family/Special Needs****Childs Court Apartments****The Richman Group & Central Valley Coalition for Affordable Housing****Construction Sources and Uses**

Construction Sources		
Tax Credit Equity	3,264,346	15% of tax credit equity
Construction Loan	27,333,716	
City Subsidy	6,601,329	
CCAH	2,500,000	
AHSC	0	
Other	0	
Deferred Developer Fee	5,700,000	
Deferred Op Deficit	1,244,743	
Deferred Permits & Fees (75%)	1,606,500	
Contributed Developer Fee	0	
Total Construction Sources	48,250,634	
Construction Uses		
Total Development Cost	48,250,634	
Amount Over/(Under)	0	

Permanent Sources and Uses

Sources		
Tax Credit Equity	21,762,305	
Perm Financing - Tranche A	1,640,000	
Perm Financing - Tranche B	1,360,000	
City Subsidy	6,601,329	
HUD Section 108 Loan	1,706,329	
CCAH	2,500,000	
AHSC	11,087,000	
Deferred Developer Fee	100,000	
Equity - Deferred Permits & Fees (75%)	3,200,000	
Total Permanent Sources	48,250,634	
Uses		
Total Development Cost	48,250,634	
Amount Over/(Under)	0	

PROJECT SUMMARY

Merced- Family/Special Needs

Childs Court Apartments

The Richman Group & Central Valley Coalition for Affordable Housing

Project Data

Project Type	Family
County	Merced
Total Units	119
Parking Spaces	132
Land Area	4.99 Acres
Net Residential Area	92,488 SF
Retail Area	0 SF
Construction Period	18 Months
Units Per Acre	23.85
Donated Land Value	\$0

Operating Economic Assumptions

Residential Vacancy Rate (weighted)	5.0%
Retail Vacancy Rate	10.0%
Income Inflator	2.5%
Expense Inflator	3.5%
CPI	3.0%
Cap Rate	7.5%

Tax Credit Parameters

Federal Applicable Tax Credit %	3.18%
State Applicable Tax Credit %	13.00%
Federal Tax Credit Price	\$0.944
State Tax Credit Price	\$0.800
High Cost Area Adjustment	130.00%
TCAC Allocation Fee	1.00%

Construction Loan

Loan Amount	\$27,333,716
Loan Fee	0.75%
Interest Rate	4.75%

Permanent Loan

Loan Amount	1,640,000
Loan Fee	1.25%
Interest Rate	4.50%
Amortization	35 Years

Permanent Loan - HUD 108 Loan

Loan Amount	1,706,329	21,329 Total Fees
Loan Fee	0.60%	10,238 HUD Fee & Closing Costs
Interest Rate	2.00%	
Amortization	20 Years	
Annual Debt Service	\$104,948	

Stabilized Cash Flow

	Year 1	Per Unit
Gross Scheduled Rent	\$848,424	\$7,130
Laundry Income	14,280	120
S8 Income	113,400	953
Other Income	0	0
Vacancy & Collection @ 5.00%	(48,805)	(410)
Retail Income	0	0
Retail Vacancy @ 10.00%	0	0
Effective Gross Income	927,299	7,792
Operating Expenses	(668,448)	(5,617)
Net Operating Income	258,851	2,175
Perm Loan Tranche A	(93,137)	(783)
Perm Loan Tranche B	(77,235)	(649)
AHSC Loan	(46,565)	(391)
Cash Flow	\$41,913	\$1,393
DCR	1.19	
Minimum Required DCR	1.25	

Basis Calculations

Total Eligible Basis	\$44,035,762
Adjusted Threshold Basis Limit	\$99,726,732
Total Eligible Basis as a % of Threshold Basis Limit	44.16%
50% Test Eligible Basis	\$45,727,762
Capitalized Value (Rent Restricted)	\$3,451,345
50% Test (Permanent Debt)	4%
50% Test (Construction Loan)	PASS 60%

Permanent Sources

	Amount	Debt Service
Tax Credit Equity	21,762,305	n/a
Perm Financing - Tranche A	1,640,000	\$93,137
Perm Financing - Tranche B	1,360,000	\$77,235
City Subsidy	6,601,329	
HUD 108 Loan	1,706,329	
AHSC	11,087,000	n/a
CCAH	2,500,000	n/a
Equity - Deferred Permits & Fees	320,000	
Deferred Developer Fee	100,000	n/a
Total	\$48,250,634	\$198,085

Sources and Uses

Total Permanent Sources	\$48,250,634
Total Development Cost	48,250,634
Over/(Under)	\$0

UNIT DISTRIBUTION

Merced- Family/Special Needs

Childs Court Apartments

The Richman Group & Central Valley Coalition for Affordable Housing

	Number Of Units	Income Category	SF	Gross Rent	Utility Allowance	Net Rent	Net Rent Per SqFt	Monthly Rent	Annual Rent	Unit %	Total Square Footage
Studio											
	0	30% TC	350	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0	35% TC	350	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0	40% TC	350	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0	45% TC	350	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0	50% TC	350	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0	60% TC	350	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0	Market	350	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0	Manager	350	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0										
1 Bedroom											
100%	30.0	30% TC	513	\$364	\$0	\$364	\$0.71	\$10,920	\$131,040	25%	15,375
	0.0	35% TC	513	\$0	\$49	0	n/a	\$0	\$0	0%	0
	0.0	40% TC	513	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0.0	45% TC	513	\$0	\$49	0	n/a	\$0	\$0	0%	0
100%	17.0	50% TC	513	\$608	\$49	\$559	\$1.09	\$9,503	\$114,036	14%	8,713
	0.0	60% TC	513	\$0	\$49	0	n/a	\$0	\$0	0%	0
	0.0	Market	513	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0.0	Manager	513	\$0	\$0	0	n/a	\$0	\$0	0%	0
	47.0										
2 Bedrooms											
	0.0	30% TC	800	\$0	\$69	0	n/a	\$0	\$0	0%	0
	0.0	35% TC	800	\$0	\$69	0	n/a	\$0	\$0	0%	0
	0.0	40% TC	800	\$0	\$69	0	n/a	\$0	\$0	0%	0
	0.0	45% TC	800	\$0	\$69	0	n/a	\$0	\$0	0%	0
100%	35.0	50% TC	800	\$730	\$69	\$661	\$0.83	\$23,135	\$277,620	29%	28,000
	0.0	60% TC	800	\$0	\$69	0	n/a	\$0	\$0	0%	0
	0.0	Market	800	\$0	\$0	0	n/a	\$0	\$0	0%	0
	1.0	Manager	800	\$0	\$0	0	n/a	\$0	\$0	1%	800
	36.0										
3 Bedrooms											
	0.0	30% TC	1,100	\$0	\$88	0	n/a	\$0	\$0	0%	0
	0.0	35% TC	1,100	\$0	\$88	0	n/a	\$0	\$0	0%	0
	0.0	40% TC	1,100	\$0	\$88	0	n/a	\$0	\$0	0%	0
	0.0	45% TC	1,100	\$0	\$88	0	n/a	\$0	\$0	0%	0
100%	36.0	50% TC	1,100	\$842	\$88	\$754	\$0.69	\$27,144	\$325,728	30%	39,600
	0.0	60% TC	1,100	\$0	\$88	0	n/a	\$0	\$0	0%	0
	0.0	Market	1,100	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0.0	Manager	1,100	\$0	\$0	0	n/a	\$0	\$0	0%	0
	36.0										
4 Bedrooms											
	0	30% TC	1,000	\$0	\$85	0	n/a	\$0	\$0	0%	0
	0	35% TC	1,000	\$0	\$85	0	n/a	\$0	\$0	0%	0
	0	40% TC	1,000	\$0	\$85	0	n/a	\$0	\$0	0%	0
	0	45% TC	1,000	\$0	\$85	0	n/a	\$0	\$0	0%	0
	0	50% TC	1,000	\$0	\$85	0	n/a	\$0	\$0	0%	0
	0	60% TC	1,000	\$0	\$85	0	n/a	\$0	\$0	0%	0
	0	Market	1,000	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0	Manager	1,000	\$0	\$0	0	n/a	\$0	\$0	0%	0
	0										
Unit Distribution Summary											
Summary			Income			Units	Total %	Unit Size		Units %	
Total SF	92,488		30% TC			30.0	25.42%	Studio		0	##
Avg. Unit SF	777		35% TC			0	0.00%	1 Bedroom		47	##
Monthly Rent (w/o S8)	\$70,702		40% TC			0	0.00%	2 Bedrooms		36	##
Annual Rent (w/o S8)	\$848,424		45% TC			0	0.00%	3 Bedrooms		36	##
Avg. Rent (excl. manager's)	\$599		50% TC			88	74.58%	4 Bedrooms		0	##
Avg. Rent w/ S8 (excl. manager's)	\$679		60% TC			0	0.00%	Total		119	##
Avg. Rent PSF (excl. manager's)	\$0.77		Market			0	0.00%				
Bedrooms	227		Subtotal			118	100.00%				
			Manager			1					
			Total			119					

ANNUAL OPERATING EXPENSE BUDGET

Merced- Family/Special Needs

Childs Court Apartments

The Richman Group & Central Valley Coalition for Affordable Ho

	Project Budget (119 units)
RENTING	
Advertising	\$12,520
Misc. Renting	4,581
TOTAL RENTING	17,101
ADMINISTRATION	
Office	7,776
Legal	2,729
Audit	12,664
Telephone/Computer	14,909
Tenant Relations	2,811
Misc. Administrative	4,371
TOTAL ADMINISTRATION	45,261
MANAGEMENT FEE	
Contract Management	46,365
TOTAL MANAGEMENT	46,365
OPERATING	
Electricity	51,179
Water	42,483
Gas	20,891
Sewer	27,642
Exterminating	3,444
Rubbish Removal	13,589
Misc. Operating	3,208
TOTAL OPERATING	162,436
MAINTENANCE	
Security	20,603
Grounds	20,525
Repairs	13,221
Elevator	6,103
Unit Turns	13,085
Misc. Maintenance	9,749
TOTAL MAINTENANCE	83,285
SALARIES AND BENEFITS	
Office Salaries	50,000
Maintenance Salaries	53,500
Payroll Taxes and Benefits	32,500
TOTAL SALARIES AND BENEFITS	136,000
TAXES AND INSURANCE	
Real Estate Taxes	1,500
Business Taxes and Licenses	0
Insurance	45,000
Misc. Taxes and Insurance	12,000
TOTAL TAXES AND INSURANCE	58,500
RESERVES AND OTHER EXPENSES	
Replacement Reserves	59,500
Operating Reserves	0
Social Programs	60,000
TOTAL RESERVES AND OTHER COSTS	119,500
TOTAL OPERATING EXPENSES	\$668,448

STABILIZED CASH FLOW ANALYSIS

Merced- Family/Special Needs

Childs Court Apartments

The Richman Group & Central Valley Coalition for Affordable Housing

50.00% Proj Based Voucher Extension

	HUD 108 Loan Period																				21
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
INCOME																					
Gross Rental Income	848,424	869,635	891,375	913,660	936,501	959,914	983,912	1,008,510	1,033,722	1,059,565	1,086,054	1,113,206	1,141,036	1,169,562	1,198,801	1,228,771	1,259,490	1,290,977	1,323,252	1,356,333	1,390,242
Laundry Income	14,280	14,637	15,003	15,378	15,762	16,157	16,560	16,974	17,399	17,834	18,280	18,737	19,205	19,685	20,177	20,682	21,199	21,729	22,272	22,829	23,399
Section-8	113,400	116,235	119,141	122,119	125,172	128,302	131,509	134,797	138,167	141,621	145,162	148,791	152,510	156,323	160,231	82,119	84,171	86,276	88,433	90,643	92,910
Vacancy @ 6.3%	(48,805)	(50,025)	(51,276)	(52,558)	(53,872)	(55,219)	(56,599)	(58,014)	(59,464)	(60,951)	(62,475)	(64,037)	(65,638)	(67,279)	(68,960)	(66,579)	(68,243)	(69,949)	(71,698)	(73,490)	(75,328)
Retail Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy @ 10.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	927,299	950,481	974,243	998,599	1,023,564	1,049,153	1,075,382	1,102,267	1,129,824	1,158,069	1,187,021	1,216,696	1,247,114	1,278,292	1,310,249	1,264,993	1,296,617	1,329,033	1,362,259	1,396,315	1,431,223
EXPENSES																					
Administrative	(45,261)	(46,846)	(48,485)	(50,182)	(51,939)	(53,756)	(55,638)	(57,585)	(59,601)	(61,687)	(63,846)	(66,080)	(68,393)	(70,787)	(73,265)	(75,829)	(78,483)	(81,230)	(84,073)	(87,015)	(90,061)
Management Fee @ 5.0%	(46,365)	(47,524)	(48,712)	(49,930)	(51,178)	(52,458)	(53,769)	(55,113)	(56,491)	(57,903)	(59,351)	(60,835)	(62,356)	(63,915)	(65,512)	(63,250)	(64,831)	(66,452)	(68,113)	(69,816)	(71,561)
Operating	(162,436)	(168,121)	(174,005)	(180,095)	(186,399)	(192,923)	(199,675)	(206,664)	(213,897)	(221,383)	(229,132)	(237,151)	(245,452)	(254,042)	(262,934)	(272,137)	(281,661)	(291,520)	(301,723)	(312,283)	(323,213)
Maintenance	(83,285)	(86,200)	(89,217)	(92,340)	(95,571)	(98,916)	(102,379)	(105,962)	(109,670)	(113,509)	(117,482)	(121,594)	(125,849)	(130,254)	(134,813)	(139,531)	(144,415)	(149,470)	(154,701)	(160,116)	(165,720)
Salaries	(136,000)	(140,760)	(145,687)	(150,786)	(156,063)	(161,525)	(167,179)	(173,030)	(179,086)	(185,354)	(191,841)	(198,556)	(205,505)	(212,698)	(220,142)	(227,847)	(235,822)	(244,076)	(252,619)	(261,460)	(270,611)
Taxes (escalated at 2.00%)	(1,500)	(1,530)	(1,561)	(1,592)	(1,624)	(1,656)	(1,689)	(1,723)	(1,757)	(1,793)	(1,828)	(1,865)	(1,902)	(1,940)	(1,979)	(2,019)	(2,059)	(2,100)	(2,142)	(2,185)	(2,229)
Insurance	(57,000)	(58,995)	(61,060)	(63,197)	(65,409)	(67,698)	(70,068)	(72,520)	(75,058)	(77,685)	(80,404)	(83,218)	(86,131)	(89,145)	(92,266)	(95,495)	(98,837)	(102,297)	(105,877)	(109,583)	(113,418)
Renting	(17,101)	(17,699)	(18,319)	(18,960)	(19,623)	(20,310)	(21,021)	(21,757)	(22,518)	(23,306)	(24,122)	(24,967)	(25,840)	(26,745)	(27,681)	(28,650)	(29,652)	(30,690)	(31,764)	(32,876)	(34,027)
Social Programs	(60,000)	(62,100)	(64,274)	(66,523)	(68,851)	(71,261)	(73,755)	(76,337)	(79,009)	(81,774)	(84,636)	(87,598)	(90,664)	(93,837)	(97,122)	(100,521)	(104,039)	(107,681)	(111,449)	(115,350)	(119,387)
Replacement Reserves	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)	(59,500)
TOTAL OPERATING EXPENSES	(668,448)	(689,275)	(710,819)	(733,105)	(756,158)	(780,004)	(804,673)	(830,191)	(856,588)	(883,895)	(912,143)	(941,364)	(971,593)	(1,002,864)	(1,035,214)	(1,068,778)	(1,099,300)	(1,135,014)	(1,171,961)	(1,210,184)	#####
NET OPERATING INCOME	258,851	261,206	263,424	265,495	267,407	269,149	270,710	272,076	273,236	274,175	274,878	275,332	275,521	275,427	275,035	260,214	197,317	194,019	190,298	186,131	181,496
DEBT SERVICE																					
Perm Financing - Tranche A	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)	(93,137)
Cash Flow After Debt Service (Tranche A)	165,714	168,069	170,287	172,358	174,270	176,012	177,573	178,939	180,099	181,038	181,741	182,195	182,384	182,291	181,898	107,077	104,180	100,882	97,161	92,994	88,359
Perm Financing - Tranche B	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)	(77,235)
Cash Flow After Debt Service (Tranche B)	88,478	90,834	93,052	95,122	97,034	98,777	100,337	101,704	102,863	103,802	104,506	104,960	105,148	105,055	104,663	29,842	26,945	23,646	19,925	15,759	11,124
Cash Flow After Senior Debt	88,478	90,834	93,052	95,122	97,034	98,777	100,337	101,704	102,863	103,802	104,506	104,960	105,148	105,055	104,663	29,842	26,945	23,646	19,925	15,759	82,013
Debt Cover Ratio (DCR) - Senior Debt	1.52	1.53	1.55	1.56	1.57	1.58	1.59	1.60	1.60	1.61	1.61	1.62	1.62	1.62	1.61	1.18	1.16	1.14	1.12	1.09	
Accrued Interest at 0.42%	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)	(46,565)
Cash Flow After Debt Service (AHSC)	41,913	44,268	46,487	48,557	50,469	52,211	53,772	55,138	56,298	57,237	57,941	58,394	58,583	58,490	58,097	16,723	(19,621)	(22,919)	(26,640)	(30,806)	(35,442)
Debt Cover Ratio (DCR) - Senior Debt	1.19	1.20	1.21	1.22	1.23	1.24	1.25	1.25	1.26	1.26	1.27	1.27	1.27	1.27	1.27	0.92	0.91	0.89	0.88	0.86	0.84
SLP Fee	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(5,796)	(5,970)	(6,149)	(6,334)	(6,524)	(6,720)	(6,921)	(7,129)	(7,343)	(7,563)	(7,790)	(8,024)	(8,264)	(8,512)	(8,768)	(9,031)
Partnership Administration Fee	(15,000)	(15,450)	(15,914)	(16,391)	(16,883)	(17,389)	(17,911)	(18,448)	(19,002)	(19,572)	(20,159)	(20,764)	(21,386)	(22,028)	(22,689)	(23,370)	(24,071)	(24,793)	(25,536)	(26,303)	(27,092)
Cash Flow After Fees	21,913	23,668	25,269	26,702	27,959	29,026	29,891	30,541	30,962	31,141	31,062	30,710	30,068	29,119	27,846	(47,883)	(51,715)	(55,976)	(60,689)	(65,877)	(71,564)
Developer Fee Amount Remaining	100,000	80,787	59,300	35,632	9,892	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest (AFR = 2.7%)	2,700	2,181	1,601	962	267	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Payment From Available Cash Flow	(21,913)	(23,668)	(25,269)	(26,702)	(10,159)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Developer Fee Amount Remaining	80,787	59,300	35,632	9,892	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow After Developer Fee Repayment	0	0	0	0	0	17,800	29,026	29,891	30,541	30,962	31,141	31,062	30,710	30,068	29,119	27,846	(47,883)	(51,715)	(55,976)	(60,689)	(65,877)
Cash Flow Available For Residual Receipts Loan (City) (50%)	0	0	0	0	8,900	14,513	14,945	15,270	15,481	15,571	15,531	15,355	15,034	14,559	13,923	(23,941)	(25,857)	(27,988)	(30,344)	(32,938)	(35,782)

DEVELOPMENT COSTS & ELIGIBLE BASIS DETERMINATION

Merced- Family/Special Needs
 Childs Court Apartments
 The Richman Group & Central Valley Coalition for Affordable Housing

	119 units Budget	Section 108 Proceeds	TCAC Eligible Basis
ACQUISITION COSTS			
Purchase Price	\$1,080,000		0
Other Acquisition Costs	200,000		0
TOTAL ACQUISITION COSTS	1,280,000	0	0
PROFESSIONAL FEES			
Architecture & Engineering	2,048,140	624,052	2,048,140
Other Professional / Consulting	175,600		175,600
TOTAL PROFESSIONAL FEES	2,223,740	624,052	2,223,740
FEES AND PERMITS			
City/County Fees and Permits	2,142,000		2,142,000
Utility Fees/Costs	0		0
TOTAL FEES AND PERMITS	2,142,000		2,142,000
CONSTRUCTION COSTS			
Demolition	75,000		0
Offsite Improvements	200,000		200,000
Non-Residential Structures	0		0
Site Improvements	1,518,000		1,518,000
Parking Facilities	660,000		660,000
Landscaping / Common Areas	1,265,000		1,265,000
Residential Structures	20,901,327		20,901,327
Other Construction	1,581,936		1,581,936
Retail Core + Shell	0		0
General Conditions	1,310,063		1,310,063
Contractor Overhead	1,100,453		1,100,453
Contractor Profit	1,100,453		1,100,453
Contractor Insurance	297,122		297,122
Construction Bond Premiums	0		0
Construction Contingency	1,500,468		1,500,468
Residential Structures - Non GC	0		0
Construction Management	100,000		100,000
TOTAL CONSTRUCTION COSTS	31,609,822		31,534,822
FINANCING COSTS			
Acquisition Loan Costs	0		0
Gap Loan Costs	75,000		75,000
Construction Loan Costs	100,000		100,000
Construction Loan Fees	206,000		206,000
Construction Period Interest	974,000		974,000
Post-Construction Interest	762,000		0
Permanent Loan Costs	50,000		0
Permanent Loan Fees	38,000		0
HUD 108 Loan Fees/Closing Costs	21,329	21,329	0
Bond Issuance Costs	300,000		0
TCAC Fees	70,000		0
Misc. Finance Costs	25,000		0
TOTAL FINANCING COSTS	2,621,329	21,329	1,355,000
OTHER COSTS			
Furnishings, Fixtures & Equipment	400,000		400,000
Marketing Costs	100,000		0
Legal Fees	185,000		55,500
Property Taxes	10,000		7,500
Soft Cost Contingency	150,000		150,000
Relocation Expenses	0		0
Accounting / Audit / Insurance	584,000		467,200
Developer Overhead	0		0
Developer Fees	5,700,000	642,000	5,700,000
Other Costs / Reserves	625,795		0
Solar	618,948	418,948	
Other Public Subsidy Costs	0		0
TOTAL OTHER COSTS	8,373,743	1,060,948	6,780,200
TOTAL DEVELOPMENT COSTS/ TOTAL ELIGIBLE BASIS	\$48,250,634	\$1,706,329	\$44,035,762
TOTAL BASIS REDUCTION (Amount over Adjusted Threshold Basis Limit or Voluntary Exclusion)			0
TOTAL REQUESTED UNADJUSTED ELIGIBLE BASIS			44,035,762
High Cost Area Adjustment			130%
TOTAL ADJUSTED ELIGIBLE BASIS			57,246,491
Applicable Fraction			100%
TOTAL QUALIFIED BASIS			57,246,491
Total Credit Reduction	0%		0
TOTAL ADJUSTED QUALIFIED BASIS			57,246,491

HUD 108 loan**Merced- Family/Special Needs****ChildsCourt Apartments****The Richman Group & Central Valley Coalition for Affordable Housing**

Permanent Loan - HUD 108 Loan		
Loan Amount	1,706,329	21,329 Total Fees
Loan Fee	0.60%	10,238 HUD Fee & Closing Costs
Interest Rate	2.00%	
Amortization	20 Years	
Average Annual Debt Service	\$104,948	

	YR	Annual Debt Service	Interest Portion	Principal Portion	Loan Balance	108 Princpal Payments (Rounded to 1,000's)
2020	1	\$34,127	\$34,127		\$1,706,329	\$0
2021	2	\$109,127	\$34,127	\$75,000	\$1,631,329	\$75,000
2022	3	\$107,627	\$32,627	\$75,000	\$1,556,329	\$75,000
2023	4	\$111,127	\$31,127	\$80,000	\$1,476,329	\$80,000
2024	5	\$109,527	\$29,527	\$80,000	\$1,396,329	\$80,000
2025	6	\$112,927	\$27,927	\$85,000	\$1,311,329	\$85,000
2026	7	\$111,227	\$26,227	\$85,000	\$1,226,329	\$85,000
2027	8	\$109,527	\$24,527	\$85,000	\$1,141,329	\$85,000
2028	9	\$112,827	\$22,827	\$90,000	\$1,051,329	\$90,000
2029	10	\$111,027	\$21,027	\$90,000	\$961,329	\$90,000
2030	11	\$109,227	\$19,227	\$90,000	\$871,329	\$90,000
2031	12	\$107,427	\$17,427	\$90,000	\$781,329	\$90,000
2032	13	\$105,627	\$15,627	\$90,000	\$691,329	\$90,000
2033	14	\$108,827	\$13,827	\$95,000	\$596,329	\$95,000
2034	15	\$106,927	\$11,927	\$95,000	\$501,329	\$95,000
2035	16	\$105,027	\$10,027	\$95,000	\$406,329	\$95,000
2036	17	\$108,127	\$8,127	\$100,000	\$306,329	\$100,000
2037	18	\$106,127	\$6,127	\$100,000	\$206,329	\$100,000
2038	19	\$104,127	\$4,127	\$100,000	\$106,329	\$100,000
2039	20	\$108,456	\$2,127	\$106,329	\$0	\$106,329
		\$2,098,961	\$392,632	\$1,706,329		\$1,706,329
		\$104,948 Average Annual Debt Service Payment				

Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement Public Entities

ENTITLEMENT PUBLIC ENTITY CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing Section 108 application submission requirements, the undersigned certifies, on behalf of the entitlement public entity and to the best of his or her knowledge and belief, that:

1. It possesses the legal authority to make the pledge of grants required under 24 CFR 570.705(b)(2);
2. It has made efforts to obtain financing for activities described in the application without the use of the loan guarantee, it will maintain documentation of such efforts for the term of the loan guarantee, and it cannot complete such financing consistent with the timely execution of the program plans without such guarantee;
3. It possesses the legal authority to submit the application for assistance under 24 CFR Part 570, Subpart M and to use the guaranteed loan funds in accordance with the requirements of Subpart M;
4. Its governing body has duly adopted or passed as an official act a resolution, motion or similar official action:
 - (a) Authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required; and
 - (b) Authorizing such official representative to execute such documents as may be required in order to implement the application and issue debt obligations pursuant thereto (provided that the authorization required by this paragraph may be given by the local governing body after submission of the application but prior to execution of the contract required by §570.705(b));
5. Before the submission of its application to HUD, it has:
 - (a) furnished citizens with information required by 24 CFR 570.704(a)(2)(i);
 - (b) held at least one public hearing to obtain the views of citizens on community development and housing needs;
 - (c) prepared its application in accordance with the citizen participation requirements and made the application available to the public;
6. It is following a detailed citizen participation plan that meets the requirements described in 570.704(a)(2);
7. It will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:
 - (a) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.); and
 - (b) The Fair Housing Act (42 U.S.C. 3601-3619);

Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement Public Entities

8. In the aggregate, at least 70 percent of all CDBG funds, as defined at §570.3, to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for activities which benefit low- and moderate-income persons, as described in criteria at §570.208(a);
9. It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low- and moderate-income housing described in §570.606;
10. It will comply with the requirements of 24 CFR 570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds;
11. (Where applicable, the public entity may also include the following additional certification.)
It lacks sufficient resources from funds provided under this subpart or program income to allow it to comply with the provisions of 24 CFR 570.200(c)(2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the non-guaranteed loan funded portion of the capital cost without paying such assessments in their behalf from guaranteed loan funds;
12. It will comply with the other provisions of title I of the Housing and Community Development Act of 1974 as amended (42 U.S.C. 5301 et seq.) and with other applicable laws.

Merced, CA

(Entitlement Public Entity)

(Signature of Authorized Official)

(Date)

(Typed Name and Title of Authorized Official)

Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement
Public Entities

SECTION 108 LOAN GUARANTEE PROGRAM

Certification Regarding Lobbying

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Merced, CA
(Entitlement Public Entity)

(Signature of Authorized Official)

(Typed Name and Title of Authorized Official)

(Date)

Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement
Public Entities

SECTION 108 LOAN GUARANTEE PROGRAM

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Merced, CA
(Entitlement Public Entity)

(Signature of Authorized Official)

(Typed Name and Title of Authorized Official)

(Date)