



CITY OF MERCED DOWNTOWN HOUSING FEASIBILITY STUDY

FINAL REPORT

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EXECUTIVE SUMMARY

This report is a comprehensive analysis of the development potential of two sites in Downtown Merced in regards to affordable housing. The team performed yield studies and financial analysis for both sites.

While both sites had challenges in common, such as the need to replace every publicly available existing parking space on-site along with providing one space per dwelling unit for the residential use, there were additional challenges for the site located on N street. The need to maintain alley right-of-way was a large hurdle that added cost and reduced yield, reduced the overall efficiency of the project, and created undesirable urban design issues which placed parking where active building frontages should have been located.

Both sites allowed for creative design with efficient layouts, but the yields were notably different, 111 and 60 units. The high volume of parking makes quality urban design a larger challenge due to the need for large amounts of dead space along street frontages. The design team strove to limit that context as much as possible.

Technically, neither site has existing entitlements that accommodate the proposed design for the respective site. While the C-C zone is the most flexible zoning definition in Downtown Merced, there are limitations to height and density that would cause the proposed concepts to be required to seek approval for these certain deviations. While it is reasonable to assume that an Affordable Housing developer would logically apply Density Bonus Law as they are allowed to do so, it is worth noting that the proposed feasible development concept for each site requires such, and the request of a Conditional Use Permit.

The N Street site is a bit different, as it is a blend of C-C and C-O zoning. In that regard, the challenges are larger, as the C-O zone would require additional deviations including to setbacks. In that regard, the Consultant does identify an opportunity to re-zone the C-O to C-C to encourage future development of the parcel in question.

In regard to TCAC scoring and initial qualification of competitiveness for funding, the Financial model revealed a clear competitiveness advantage for the site at 16th and M, Site A. It is worth noting that this was partially due to the superior unit yield which was achieved for that property. Not only was the project more competitive, but there were also more potential funding options available, whereas the smaller project on N street, Site B, would have had to rely on the 9% program almost solely. Further discussion of these variables is provided within the Financial Modeling portion of the Development Options Analysis section of this report.

It is also worth noting that in all instances, the requirement to replace the existing city parking is a major hindrance to the project and its ability to compete in the financing space. The provision of the structured parking adds significant cost and thus increases the cost per unit for the project. The Consultant strongly recommends that the City consider decoupling these objectives, and finding other creative ways to resolve the parking issue that it faces, and not placing that burden on future development projects within the City.

One unique potential challenge for the 16th and M site is that the overall project cost is anticipated to be much higher, and thus the local subsidy may also need to be higher. Ultimately, option A2 at that location, with the higher unit yield but unburdened from the additional parking desired by the city, would be far and away the most competitive, as the replacement parking is a feasibility killer without a massive subsidy from the city to cover that additional cost.

It is our recommendation that the potential project site at 16th and M, Site A, is the site with the greatest development potential. In addition to the site recommendation, it is also important to note that the replacement parking requirement is a significant burden to any project planned. Suggestions for addressing this challenge are identified.

INTRODUCTION & PURPOSE

The City of Merced is experiencing a severe housing shortage, characterized by a lack of available units and the rising gap between average income levels and housing costs. A growing population, expanding University of California campus pending annexation into the City, and a new high-speed rail station will only apply further housing supply and demand pressures to the region.

This report was procured via a Request for Proposals released by the City of Merced seeking a feasibility study for housing in the Downtown area.

The assignment was analysis of the potential to develop two different City-owned parking lots into multi-story, mixed income, multi-family housing, parking, and possibly retail or office uses. An additional goal of the project was to maintain the number of publicly accessible parking spaces on site.

The City is funding this effort through the SB2 Planning Grants Program from the State of California Department of Housing and Community Development. This report describes the methodology used for the analysis, characteristics of the sites, and site capacity design studies for both sites.

The Consultant team is comprised of Mogavero Architects, a multidisciplinary Architectural Services firm with over 25 years of experience designing Affordable Housing across California, and Stephan Daues Consulting, a deeply experienced Affordable Housing Developer and Consultant with 20+ years of experience developing a broad range of Affordable Housing projects, from complex, urban sites to rural properties. Both firms are Sacramento based and known within the industry as being leaders in their respective disciplines, and bring a proven track record and depth of knowledge to the process.

The two sites in question are both actively used parking lots in Downtown Merced. The first site is comprised of 7 parcels

totaling 1.02 acres and is located at the Northwest corner of 16th and M Streets. The site is just shy of a half city block, due to the Burger Time use located at 661 West 16th Street. The site is also across the street from the planned location of a California High Speed Rail station.

The second site is comprised of 3 parcels totaling .78 acres and is located West of N Street between 18th and 19th Streets. This site is split by an existing alley which cannot be abandoned due to the alley providing critical access for other users on this city block. This site is immediately across the street from City of Merced offices and the UC Merced Downtown Campus Center.

The intent of this report is to summarize all relevant information pertinent to analyzing and understanding the development potential of these two sites. The work associated included gathering of relevant site information, discussions with engaged stakeholders about the parameters that will further inform the selection process, investigation of the City's requirements and guidelines for development, initial geometric analysis to confirm achievable yield, financial analysis of the development and operations of the potential project, and review of competitiveness for the various funding options that are available for Affordable Housing.

This process culminated in the selection of a preferred site, and further development of design documents informed by a potential concept. Further detail regarding methodology, process, and the resulting recommendation are provided within the body of this report. In addition to the recommendations regarding the proposed project sites in question, this report also recommends other policy changes that would help to remove constraints on the selected sites.

METHODOLOGY

The City of Merced identified two city owned parking lots for the analysis. They are listed below and described in greater detail later.

SITE A - WEST 16TH & M STREET

SEVEN PARCELS TOTALING 1.02 ACRES ZONED FOR REGIONAL/CENTRAL COMMERCIAL.

Parcel Address	APN#	Acres	Sq. Ft.	Zoning	GP Designation
645 W 16th Street	031-134-020	0.17	7,500	C-C	RC
639 W 16th Street	031-134-014	0.17	7,500	C-C	RC
625 W 16th Street	031-134-013	0.43	18,750	C-C	RC
605 W 16th Street	031-134-022	0.13	5,625	C-C	RC
1615 M Street	031-134-010	0.04	1,875	C-C	RC
1617 M Street	031-134-009	0.04	1,875	C-C	RC
1621 M Street	031-134-008	0.04	1,875	C-C	RC

SITE B - N STREET BETWEEN 18TH AND 19TH

THREE PARCELS TOTALING 0.78 ACRES ZONED FOR REGIONAL/CENTRAL COMMERCIAL & OFFICE COMMERCIAL.

Parcel Address	APN#	Acres	Sq. Ft.	Zoning	GP Designation
714 W 19th Street	031-052-006	0.09	3,750	C-O	CO
700 W 19th Street	031-052-007	0.26	11,250	C-O	CO
705 W 18th Street	031-052-008	0.43	18,750	C-C	RC

CITY OF MERCED PARKING LOTS

- Discussions with city staff regarding study and site parameters and city objectives and criteria:
 - Leah Brown, Management Analyst, Development Services
 - Scott McBride, Development Services Director
 - Francisco Mendoza-Gonzalez, Associate Planner
 - Joseph Angulo, Deputy Director Public Works
 - Frank Quintero, Deputy City Manager
- Gathering of the information available for the sites pertinent to development, including assessment of:
 - City Code requirements
 - Affordable housing finance parameter
 - Site constraints
- Development of design geometry and financial models for both sites
- Discussing design and financial parameters with City staff
- Obtaining concurrence with City staff on preferred site
- Development of the design for the preferred site more fully

SITE ASSESSMENTS

The following key site characteristics were researched:

- Site size
- Any on-site development barriers such as easements and hazardous materials
- Land use designation and zoning
- Service from existing road, water, and sewer infrastructure
- Downtown urban design parameters
- Proximity to site amenities including transit, schools, grocery stores, pharmacies, parks, libraries, and medical clinics as necessary to receive maximum points in competitive Low Income Housing Tax Credit (LIHTC) funding rounds administered by the California Tax Credit Allocation Committee (CTCAC).

Research of these characteristics informed the development feasibility of the two sites analyzed and helped determine the maximum feasible development capacity of each of the sites in terms of the number of potential residential units.

SITE A CHARACTERISTICS - WEST 16TH & M STREET

Site Size:	1.02 acres	Zoning:	C-C
Buildable Area:	1.02 acres	Maximum Density:	36 DUA, 200 DUA w/ CUP
Land Use Designation:	Regional/Community Commercial (RC)	Minimum Landscaped Area:	15% of Site Area
Topography:	Flat	Height Limit:	None
Development Barriers:	Hazardous Materials	Required Setbacks:	No setbacks

SITE B CHARACTERISTICS - N STREET BETWEEN 18TH AND 19TH

Site Size:	0.78 acres	Zoning:	C-O / C-C
Buildable Area:	0.78 acres	Maximum Density:	36 DUA, 200 DUA w/ CUP
Land Use Designation:	Commercial/Professional Office (CO) Regional/Community Commercial (RC)	Minimum Landscaped Area:	15% of Site Area
Topography:	Flat	Height Limit:	None
Development Barriers:	Alley Bisecting Lots	Required Setbacks:	CO: 10 feet exterior, 5 feet interior CC: No setbacks

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DEVELOPMENT OPTIONS ANALYSIS

PRINCIPLES / CRITERIA

1. The City desires to include in the development the replacement of most of the existing parking on each of the sites, in addition to parking provided for the residents. The approximate number of existing parking spaces is:
 - a. N 18th & 19th Streets - 94
 - b. West 16th & M Streets - 104
2. The City desires to maximize the number of units on the site.
3. The City would like the project to enhance the quality of the pedestrian fabric in Downtown with the project through active uses on street level and resident connection to the neighborhood with balconies and windows on upper floors.
4. The City desires family units in the projects. The Tax Credit Allocation Committee will require the following minimums:
 - a. 2-Bedroom Apartments - 25 %
 - b. 3-Bedroom Apartments - 25 %
5. The Consultant recommends the following approximate unit mix:
 - a. Studios - 10%
 - b. 1-Bedroom Apartments - 30 %
 - c. 2-Bedroom Apartments - 35 %
 - d. 3-Bedroom Apartments - 25 %
6. The Consultant recommends a parking ratio of 0.8 to 1.0 spaces per dwelling unit based on similar experience in the Central Valley. Considerations include:
 - a. Proximity to large numbers of jobs
 - b. Proximity to schools
 - c. Proximity to services
 - d. Good transit services
7. The Consultant recommends the use of subterranean parking for the project. With the incorporation of the replacement parking and only above ground parking, the ground floor street frontages would be completely parking. This would not be good for the quality of the downtown.
8. The project should optimize eligibility for all Federal, State, and Regional affordable housing finance programs.
9. The City has instructed the Consultant to assume “changeability” of existing site zoning entitlements to accommodate a maximisation of units and an “urban” feel for the project.

OPTION A1 - WEST 16TH & M STREETS

QUANTITATIVE SUMMARY

Commercial Space	3,145 SF
Community Space	2,678 SF

Residential Units	Count	Square Footage
Studio	13	450
1 Bedroom	32	620
2 Bedroom	37	925
3 Bedroom	29	1100
TOTAL	111	

CONSTRUCTION TYPE

Basement	Type I-A construction
Two levels of podium	Type I-A construction
Four levels above podium	Type V-A construction

SITE CHARACTERISTICS

Located at the corner of 16th Street and M Street, this site is currently being utilized as a city owned parking lot. The site is adjacent to a restaurant on the west end with commercial and retail businesses across the alley to the north. There is a two-story parking structure across M Street to the east.

PROS

Flat site
Close to transit center and future high speed rail station

CONS

Site remediation likely necessary due to PCE contamination and underground gasoline storage tanks

URBAN FORM

The building is 6 stories high above grade with four wood framed floors above two concrete podium levels along with two parking levels above grade and one basement level.

The ground level consists of three building wings with residential common space on the southwest corner, the entry, lobby, office spaces in the middle, a double-height retail space on the southeast corner and surface level parking along the alley.

The building wings allow for intimate south facing courtyard spaces between the various functions.

The second level is the first podium which carries the upper level of parking along the alley. As for the building program, this level includes the mezzanine level of the common space on the southeast corner, three residential units and lobby space in the middle wing, and the clerestory of the retail space at the southeast wing.

OPTION A1 - WEST 16TH & M STREETS

URBAN FORM CONTINUED

The third level is the second podium level with housing filling the entire floor.

The fourth through sixth floors are wood framed with housing filling the entire floor.

The building form opens to 16th Street by utilizing three wings on the ground floor with unique building programming in each. The building wings also provide the opportunity for protected courtyards with a playground and grass area adjacent to the community space and a more intimate quiet courtyard between the retail and office spaces that could potentially be utilized for outdoor dining or simply a calm space to sit.

PARKING ACCESS QUALITY

The backside of the building adjacent to the alley is where the parking garage is located, providing convenient access to off-street parking.

The underground parking is provided for city parking and replaces the 104 parking spaces currently on-site. It has completely independent securable access from the residential parking for cars and a separate dedicated elevator.

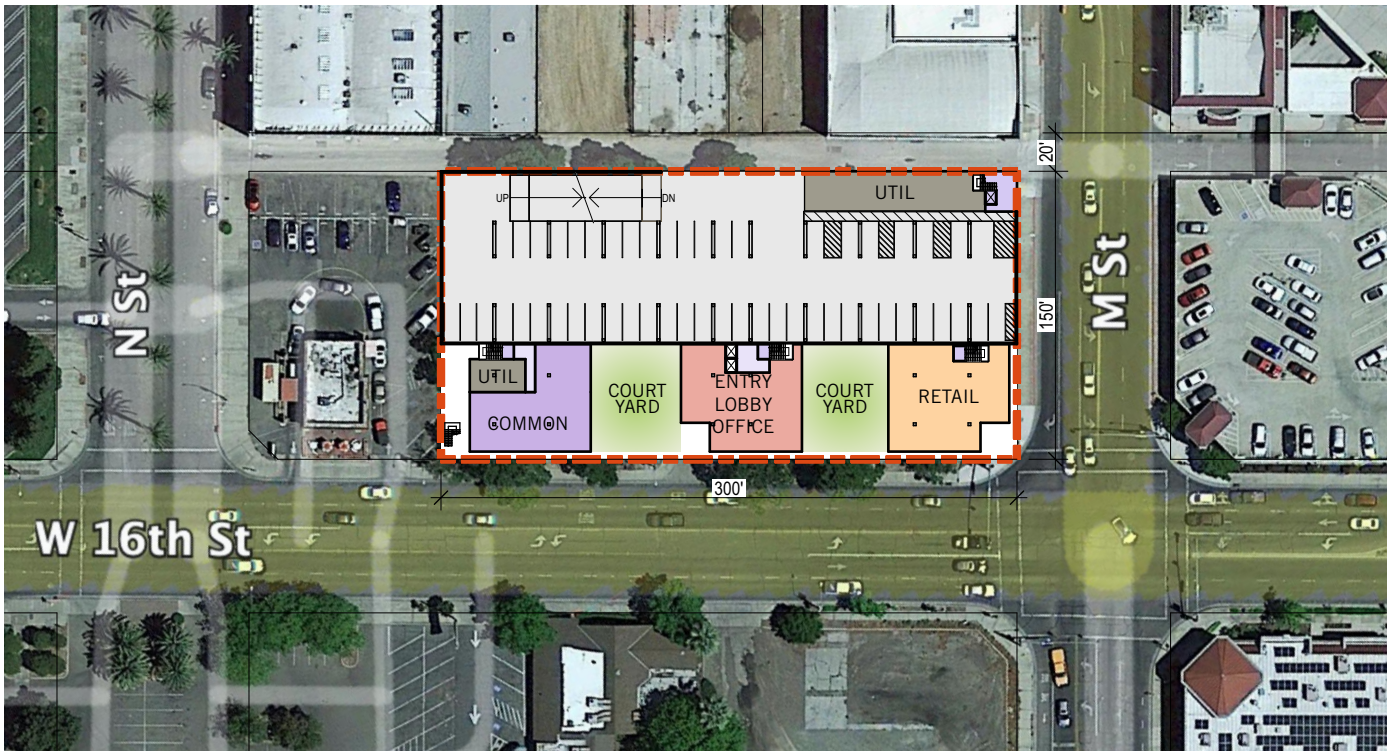
The ground and second levels of parking are designated to the project and provide residents convenient access to the lobby. This provides a nearly 1:1 parking ratio to units.

PARKING SUMMARY

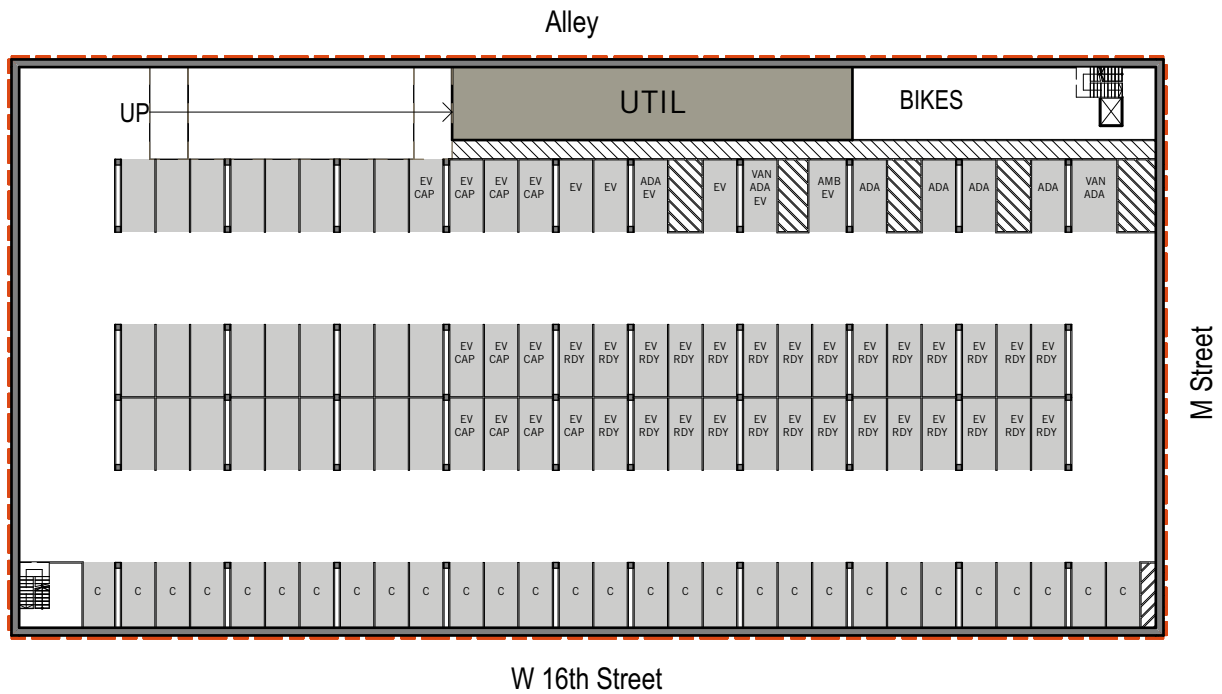
Underground	104
Ground Level	52
Level 2	58
TOTAL	214

OPTION A1 - WEST 16TH & M STREETS

SITE PLAN 1"=100'

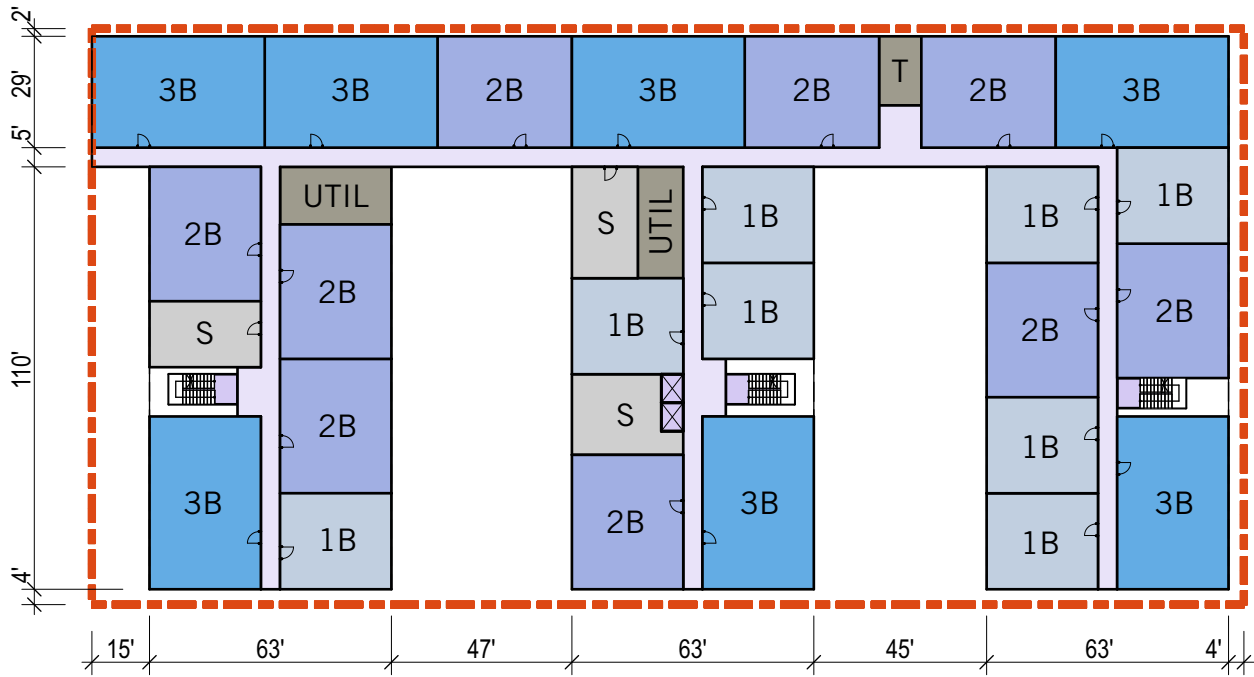


UNDERGROUND PARKING PLAN 1"=50'



OPTION A1 - WEST 16TH & M STREETS

TYPICAL UPPER FLOOR PLAN 1"= 50'



OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

QUANTITATIVE SUMMARY

Commercial Space	3,145 SF
Community Space	2,678 SF

Residential Units	Count	Square Footage
Studio	13	450
1 Bedroom	32	620
2 Bedroom	37	925
3 Bedroom	29	1100
TOTAL	111	

CONSTRUCTION TYPE

Two levels of podium	Type I-A construction
Four levels above podium	Type V-A construction

SITE CHARACTERISTICS

Located at the corner of 16th Street and M Street, this site is currently being utilized as a city owned parking lot. The site is adjacent to a restaurant on the west end with commercial and retail businesses across the alley to the north. There is a two-story parking structure across M Street to the east.

PROS

Flat site
Close to transit center and future high speed rail station

CONS

Site remediation likely necessary due to PCE contamination and underground gasoline storage tanks

URBAN FORM

The building is 6 stories high above grade with four wood framed floors above two concrete podium levels along with two parking levels above grade. This scheme differs from the previous in that the underground parking has been removed.

The ground level consists of three building wings with residential common space on the southwest corner, the entry, lobby, office spaces in the middle, a double-height retail space on the southeast corner and surface level parking along the alley.

The building wings allow for intimate south facing courtyard spaces between the various functions.

The second level is the first podium which carries the upper level of parking along the alley. As for the building program, this level includes the mezzanine level of the common space on the southeast corner, three residential units and lobby space in the middle wing, and the clerestory of the retail space at the southeast wing.

OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

URBAN FORM CONTINUED

The third level is the second podium level with housing filling the entire floor.

The fourth through sixth floors are wood framed with housing filling the entire floor.

The building form opens to 16th Street by utilizing three wings on the ground floor with unique building programming in each. The building wings also provide the opportunity for protected courtyards with a playground and grass area adjacent to the community space and a more intimate quiet courtyard between the retail and office spaces that could potentially be utilized for outdoor dining or simply a calm space to sit.

PARKING ACCESS QUALITY

The backside of the building adjacent to the alley is where the parking garage is located, providing convenient access to off-street parking. Unlike the previous scheme, A1, there is no underground parking, and all parking is dedicated to the project. There is no public parking.

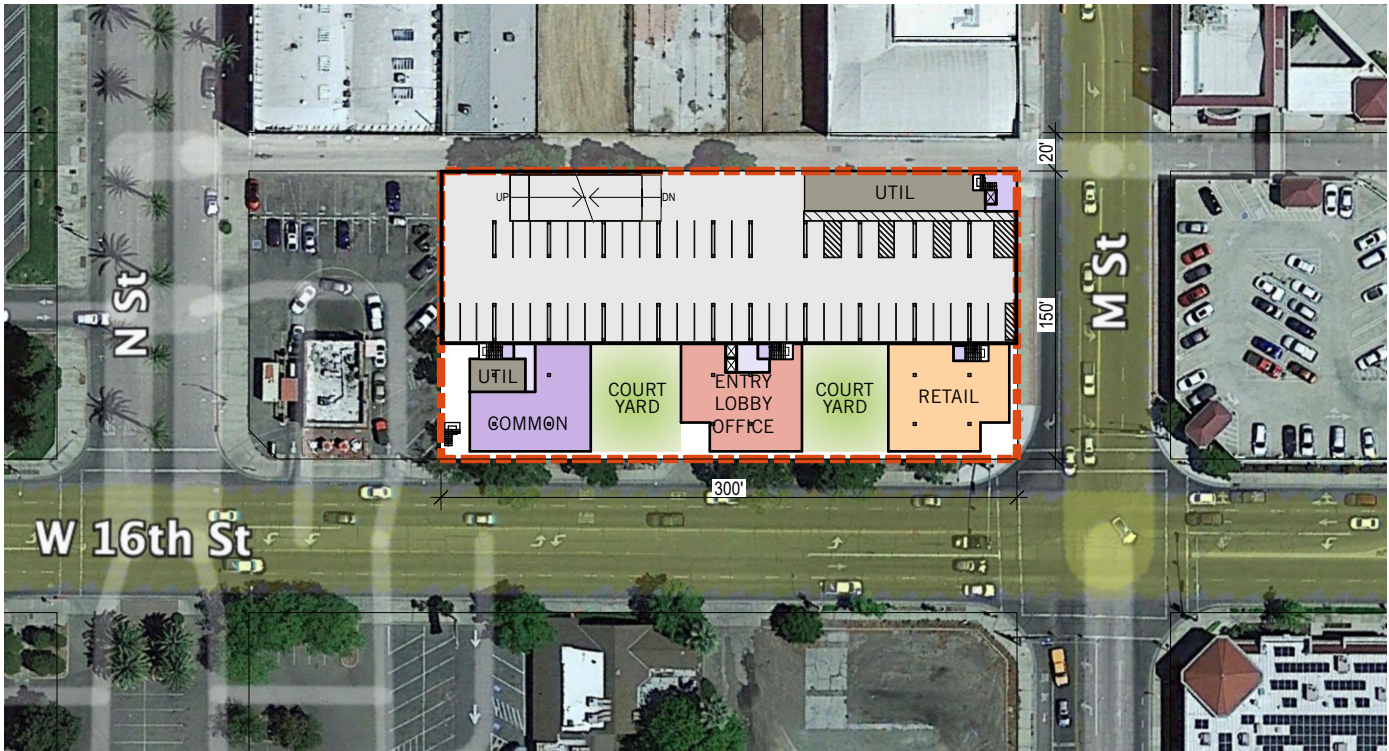
The ground and second levels of parking are designated to the project and provide residents convenient access to the lobby. This provides a nearly 1:1 parking ratio to units.

PARKING SUMMARY

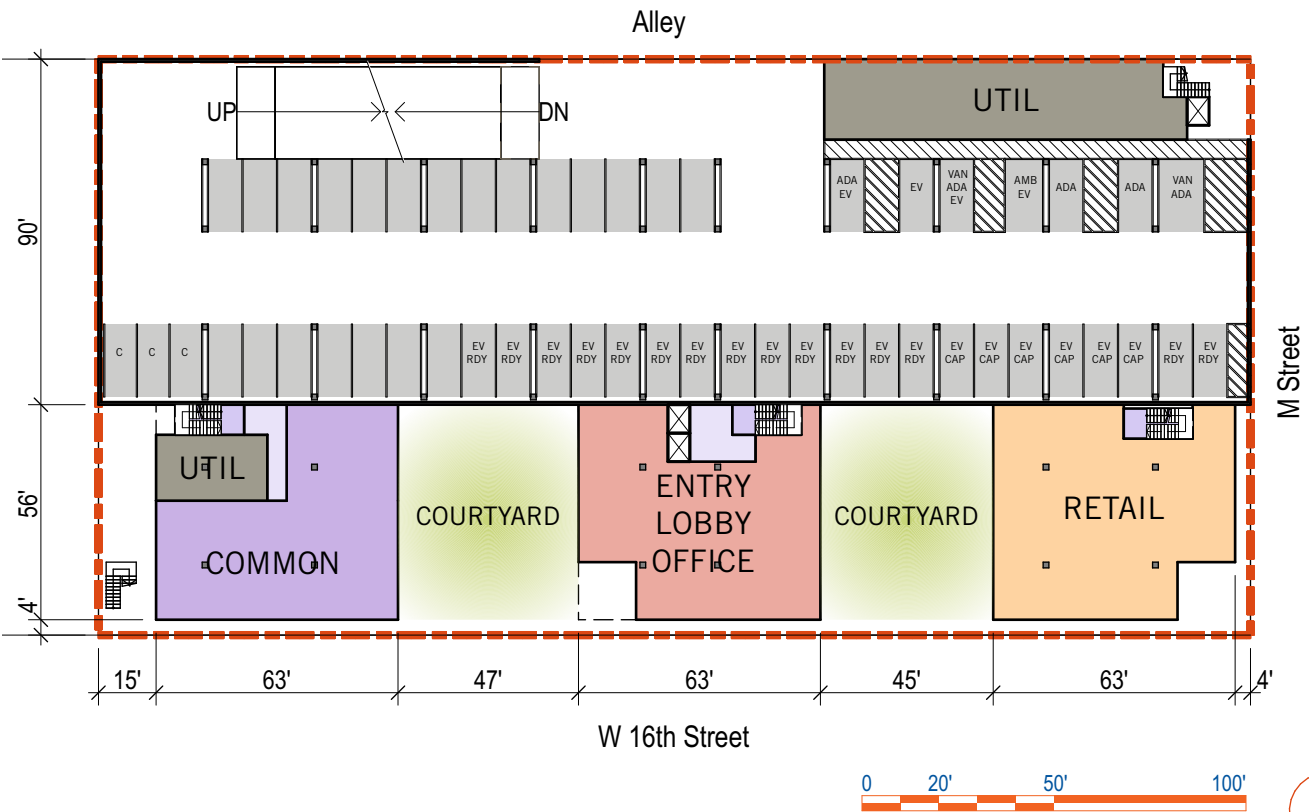
Ground Level	52
Level 2	58
TOTAL	110

OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

SITE PLAN 1"=100'

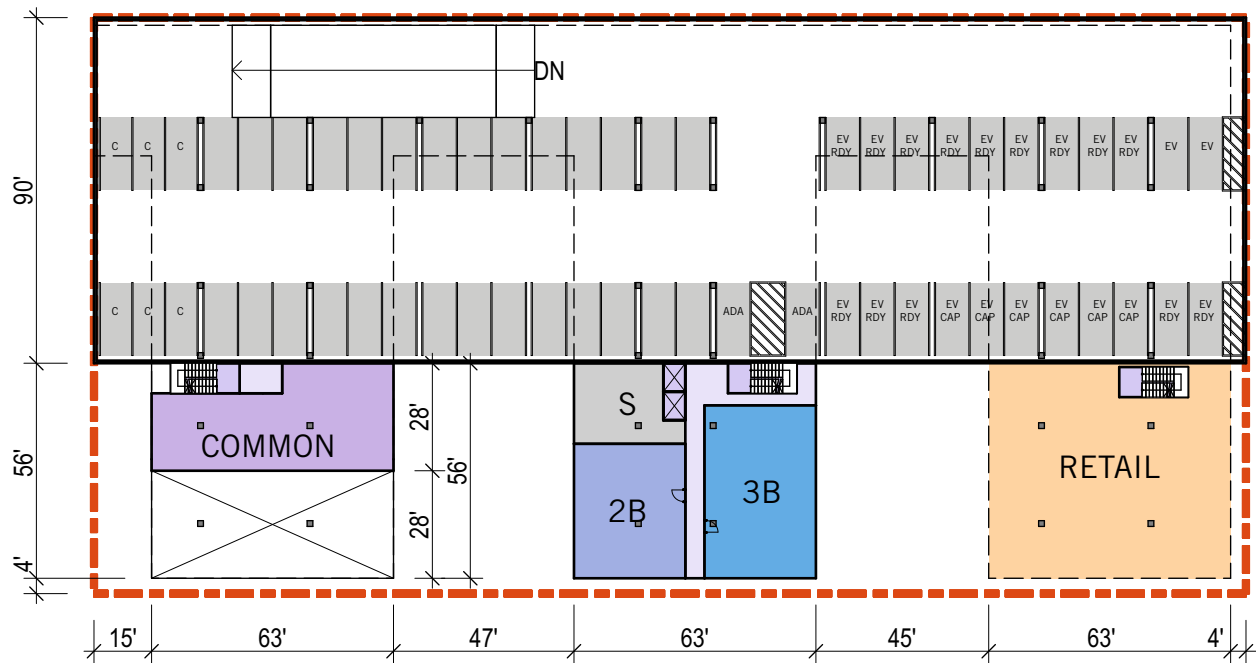


GROUND FLOOR PLAN 1"=50'

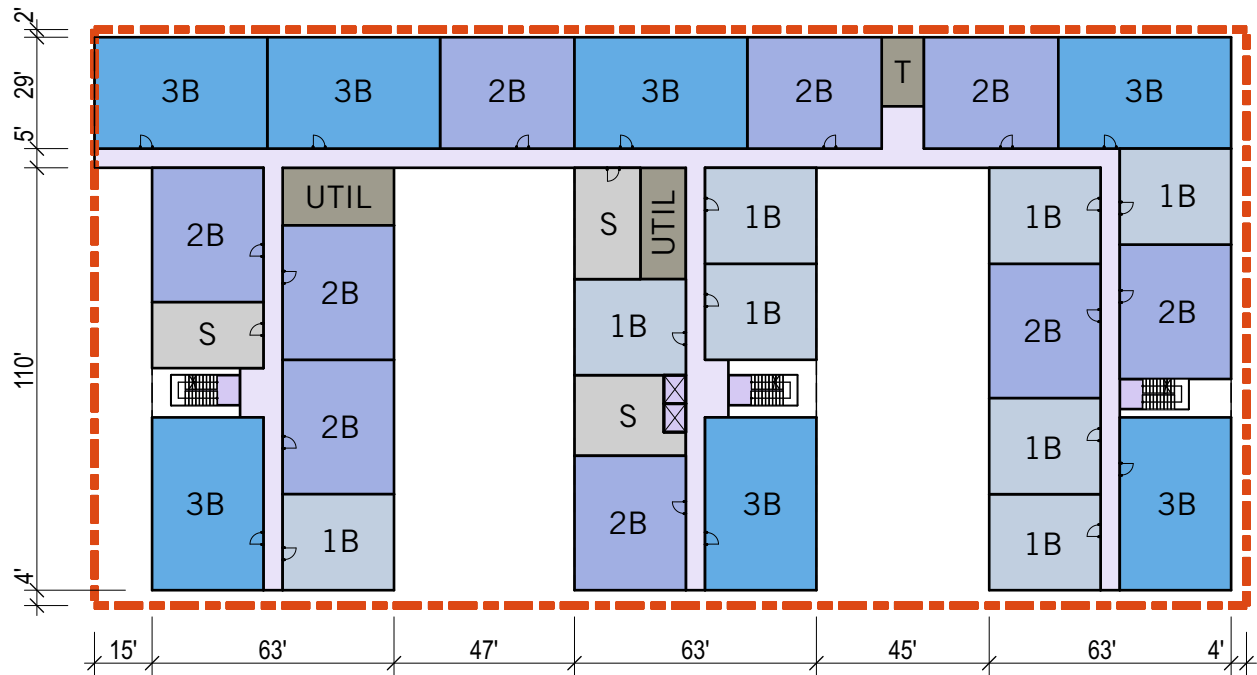


OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

PARKING LEVEL 2 1"=50'



TYPICAL UPPER FLOOR PLAN 1"=50'



OPTION B - N, 18TH & 19TH STREETS

QUANTITATIVE SUMMARY

Commercial Space	1,530 SF
Community/Admin Space	8,710 SF

Residential Units	Count	Square Footage
Studio	5	450
1 Bedroom	20	620
2 Bedroom	20	925
3 Bedroom	15	1100
TOTAL	60	

CONSTRUCTION TYPE

Parking Garage	Type I-A construction
One podium level	Type I-A construction
Five levels above podium	Type V-A construction

SITE CHARACTERISTICS

Located on N Street between 18th and 19th Streets, this site is currently being utilized as a city owned parking lot. The site is adjacent to a commercial building on the west end with commercial across 18th and 19th Streets and UC Merced Downtown Campus Center to the east across N Street.

PROS

Flat site
No known site contaminants

CONS

Alley bisects the site

URBAN FORM

The building is 6 stories high above grade with five wood framed floors above a concrete podium level along with a parking structure comprised of three parking levels above grade and one basement level.

The ground level consists of the residential common space at the southeast corner, the entry, lobby, office spaces north of that along the alley and N Street, retail space on the southwest corner and the surface level of the parking garage across the alley. This level has a 16-foot floor to floor height which provides spaces with ample natural light.

The building is oriented in such a way as to provide privacy at the inner courtyard and safety from the street.

The upper five levels are dedicated to the sixty housing units. There are pedestrian bridges from the parking garage at the second and third levels.

OPTION B - N, 18TH & 19TH STREETS

PARKING ACCESS QUALITY

The parking structure is located on the north end of the site at the corner of 19th and N Streets.

The underground and surface level parking is provided for city parking and replaces 48 of the 94 parking spaces currently on-site.

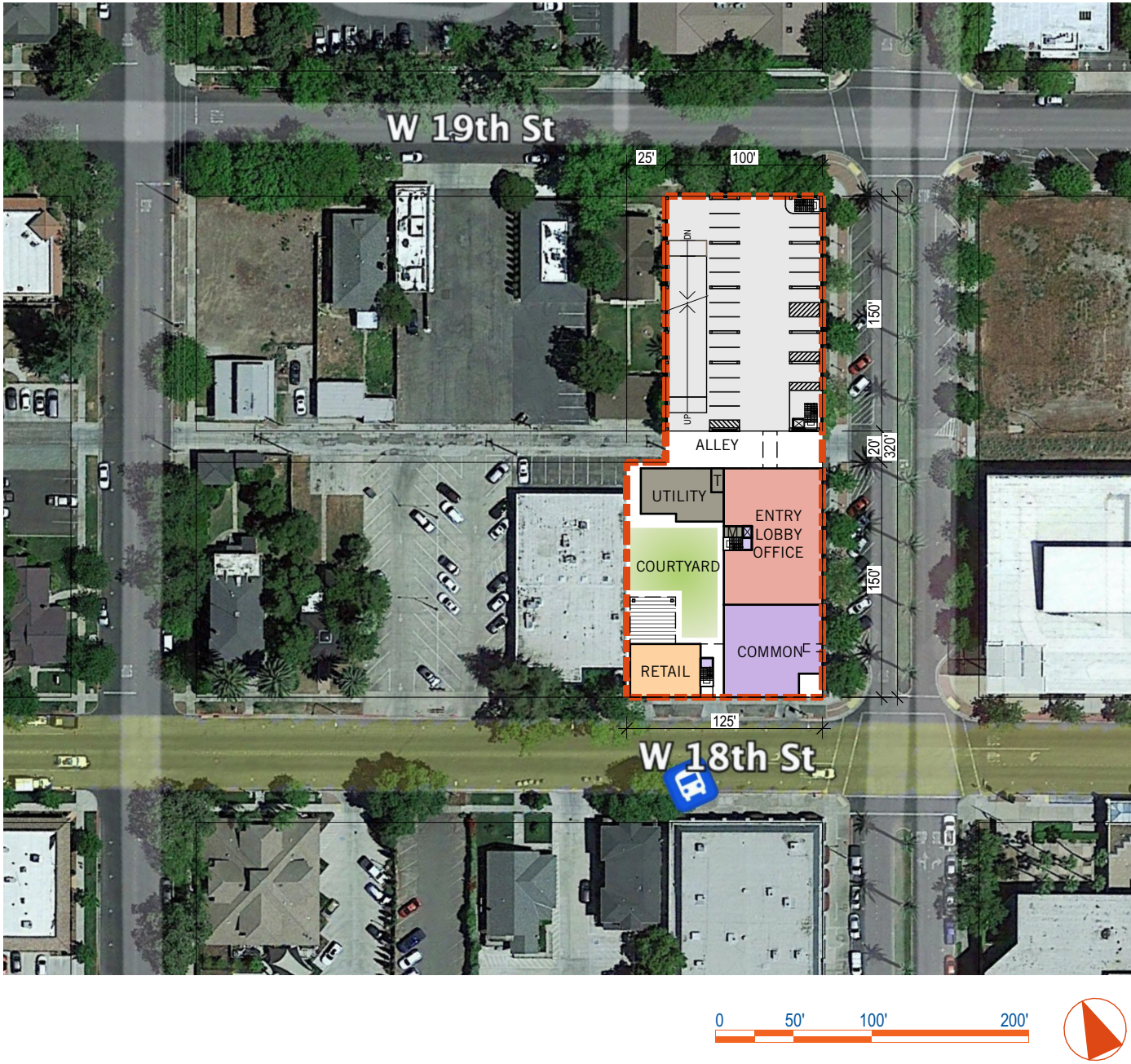
The second and third levels of parking are designated to the project and provide residents convenient access to their units by way of a walkway above the alley. This provides a nearly 0.9:1 parking ratio to units.

PARKING SUMMARY

Underground	24
Ground Level	24
Level 2	27
Level 3	27
TOTAL	102

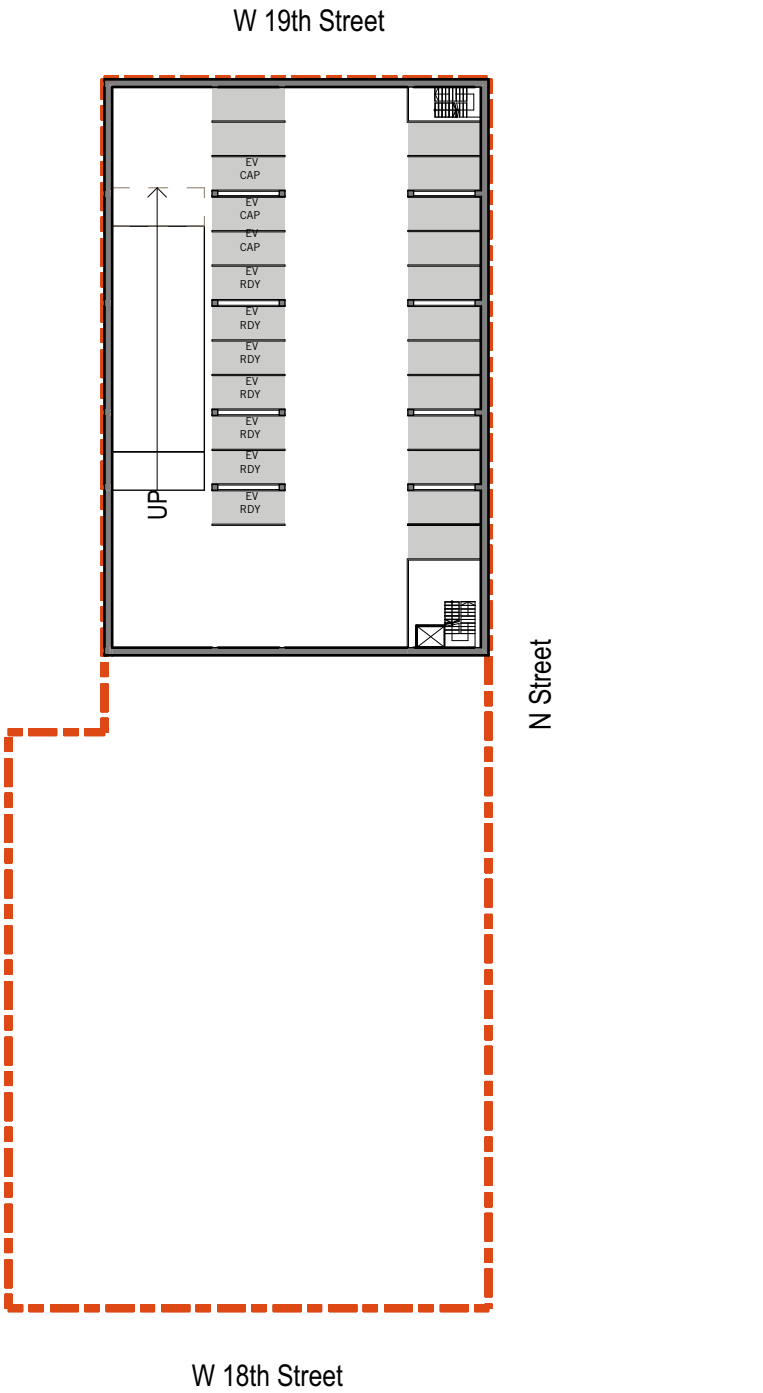
OPTION B - N, 18TH & 19TH STREETS

SITE PLAN 1"=100'



OPTION B - N, 18TH & 19TH STREETS

UNDERGROUND PARKING 1"=50'

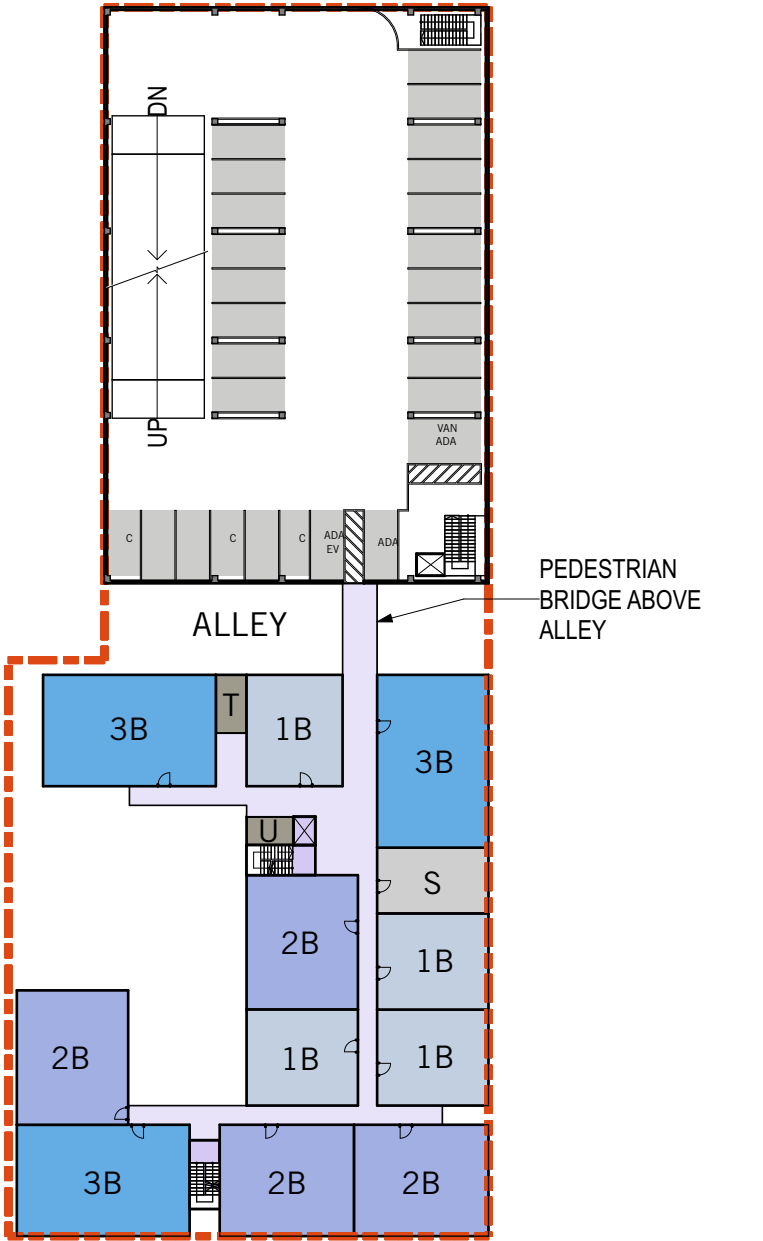


GROUND FLOOR 1"=50'



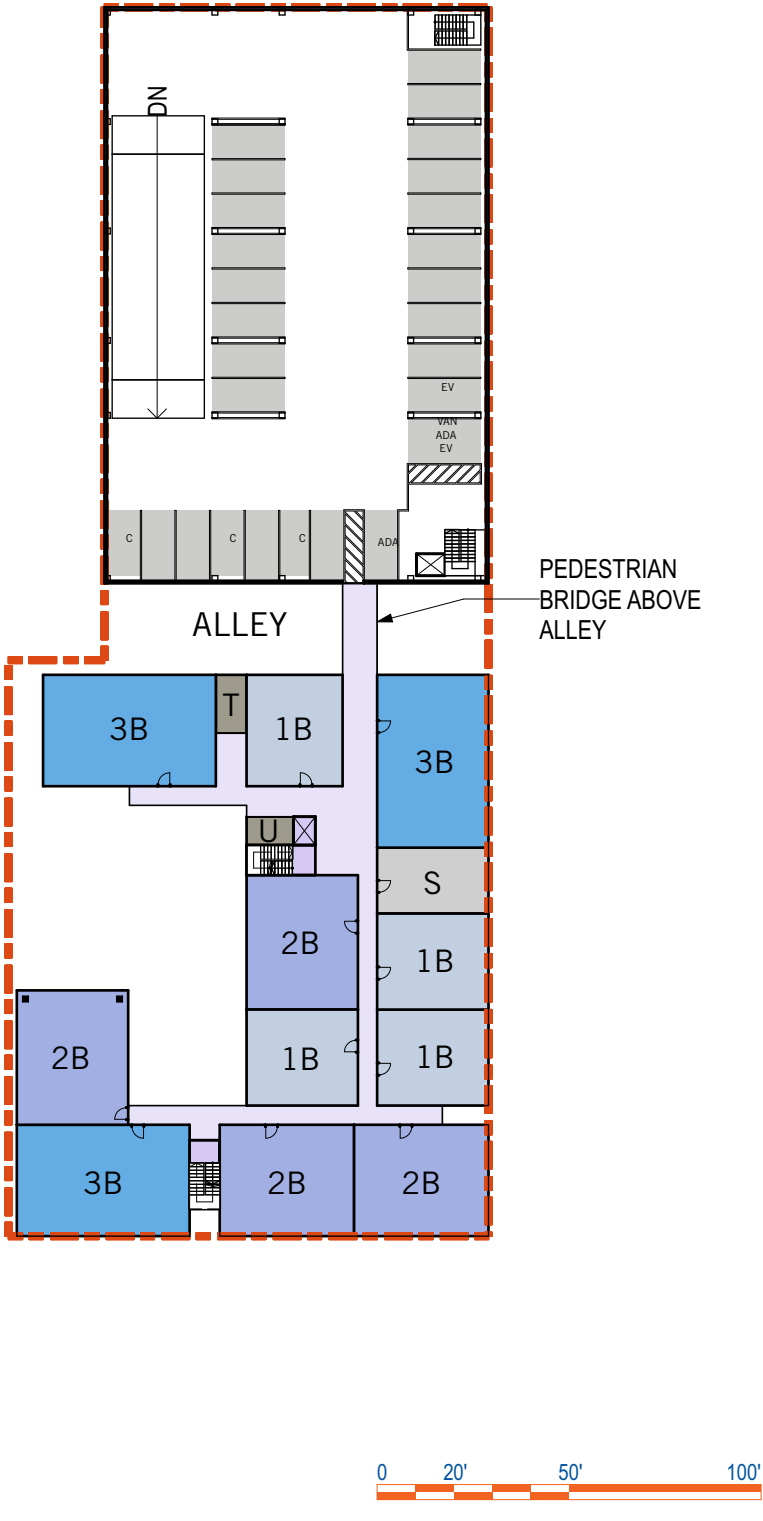
OPTION B - N, 18TH & 19TH STREETS

SECOND FLOOR 1"=50'



OPTION B - N, 18TH & 19TH STREETS

THIRD FLOOR 1"=50'



OPTION B - N, 18TH & 19TH STREETS

TYPICAL UPPER FLOOR 1"=50'



FINANCIAL MODELING

INTRODUCTION

The state and federal Low Income Housing Tax Credits are administered by the California Tax Credit Allocation Committee (CTCAC) and provide the foundation by which nearly all affordable housing is financed. While providing funding for anywhere from 30% to 80% of a project's capital, the CTCAC program priorities largely drive development location, size, and target population. While mostly complimentary, the CA Department of Housing and Community Developments (HCD) gap funding programs vary more widely in special interest policy priorities, such as addressing homelessness, veterans, greenhouse gas reductions, paying prevailing wages, leveraging local funding, and cost efficiency, among others. As such, public policy priorities affecting all the various state housing funding programs do change regularly. Predicting where funding priorities and opportunities might be in 2 to 3 years at the front end of a planning project is a challenge but can be overcome with consistent and ongoing City support in the form of active championing, regional public and private partnership building, and direct contribution of local resources. The City contribution of the land is a good start and is presumed as the only material/financial resource in the recommended model. However, the state funding competition is likely to continue to heavily favor projects with the most local resources contributions. Land, direct local or federal pass-thru funding, and local fee waivers being the most common. It's further notable that recent emphasis on cost efficiency in the state competitive rating factors will disadvantage projects with significant non-housing costs, such as the City parking and commercial space included here.

OPTION A1 - WEST 16TH & M STREETS

FINANCIAL MODEL SUMMARY

The recommended site includes a number of conditions that create more flexibility for financial modeling and adaptation to funding program changes. At 111 units total with 25% 3-bedroom units, the proposed building and site allows for size and affordability configurations to maintain feasibility within the context of the 4% federal and 30% state housing tax credits and tax-exempt bond structures. While additional local or state gap funding is needed in almost all affordable housing tax credit funded developments, the ability to compete for state tax credits is an increasingly important factor as the state continues to fund this resource as part of the annual budget. A relative lower cost project high income/high rent community can sometimes cover its cost with just federal tax credits, modest local funding, and a permanent mortgage. However, once costs and or the lack of local resources require either state tax credits and/or HCD gap funding, the program requirements and competition will result in lower AMI targeting/rents, special needs population set asides, payment of prevailing wages for construction, and longer timeframes to assemble financing. In the Option A1 case, with the added cost of high density and additional parking, the gap funding will require both state tax credits and an HCD program, such as the Multifamily Housing Program (MHP), Infill Infrastructure Grant (IIG), and/or Affordable Housing and Sustainable Communities (AHSC).

SUMMARY OF SOURCES

The inclusion of the City replacement parking however should be highlighted as a risk not only due to the added cost, but that one or more gap funding sources could decide its gap isn't clearly segregated from this cost. Like any commercial component to a mixed-use affordable housing project, this parking cost can be considered wholly paid for by the housing tax credits which is technically allowable. The City replacement parking costs might be eligible to be covered in part or whole by IIG or AHSC, depending on competitive/scoring factors at the time of application.

The inclusion of a small (\$1.245 million) permanent bank mortgage in the capital sources is a notable choice here given a number of variables that might change given the City and/or Developer preferences, interest rates, and program changes. The major considerations to monitor regarding the mortgage include property management costs currently near state minimums. Most non-profit operators will choose to fund resident services at a high level and might have higher insurance and other overhead costs. These costs alone could eliminate the ability to include a mortgage. On the income side, its important to note the average rents set at approximately 46% of the Area Median Income, with required percentages at 30% of AMI for HCD funding programs. The 3100 square feet of ground floor commercial retail space is assumed to have gross income at \$2 per month per square foot. However, consistent with HCD underwriting requirements, 50% vacancy is included indefinitely. Most permanent lenders and tax credit investors will require 100% vacancy for underwriting unless any portion is pre-leased. The City parking is not included in the operating proforma.

SUMMARY OF COST CONSIDERATIONS

At \$681,000 per unit total development cost, Option A1 is extraordinarily high for central valley developments due primarily to the podium construction, prevailing wages, and the inclusion of City replacement parking. Note that this also includes a grossed-up developer fee of about \$40k per unit that is not a real cost, but is passed through to the project to generate more tax credit equity. It is also notable that there is no land valuation included for this model. It will likely be advantageous to include the appraised value of the land as both a cost and city contribution at some point once a development partner is selected. Other important variables include interest rates, and construction cost inflation, both at 10-year highs at the moment and generally assumed to keep rising for at least another year.

FINANCIAL MODEL FOR OPTION A1 - WEST 16TH & M STREETS

DEVELOPMENT BUDGET DETAIL, PERMANENT SOURCES AND USES AND ELIGIBLE BASIS			
	TOTAL Cost	Residential Costs	Commercial Cost
LAND COST/ACQUISITION			
Land Cost or Value	\$0	\$0	
Demolition	\$0		
Legal/Title/Escrow	\$15,000	\$14,625	\$375
Land Lease Rent Prepayment	\$0		
Total Land Cost or Value	\$15,000	\$14,625	\$375
Existing Improvements Value	\$0		
Off-Site Improvements	\$0		
Total Acquisition Cost	\$0	\$0	\$0
Total Land Cost / Acquisition Cost	\$15,000	\$14,625	\$375
Predevelopment Interest/Holding Cost	\$0		\$0
Assumed, Accrued Interest on Existing Debt (Rehabilitation/Acquisition)	\$0		
Excess Purchase Price Over Appraisal	\$0		
New Construction			
Site Work	\$2,051,300	\$2,000,068	\$51,232
Structures	\$29,466,720	\$28,730,772	\$735,948
General Requirements	\$1,891,081	\$1,843,850	\$47,231
Contractor Overhead	\$945,541	\$921,925	\$23,615
Contractor Profit	\$945,541	\$921,925	\$23,615
Parking Structure	\$12,840,000	\$5,750,000	\$7,090,000
General Liability Insurance and P&P Bonds	\$998,055	\$973,128	\$24,927
Third-party Construction Management	\$0		\$0
Other: (PV)	\$500,000	\$500,000	
Total Construction Costs	\$49,638,238	\$41,641,668	\$7,996,570
Total Relocation Expenses	\$0		
ARCHITECTURAL FEES			
Design	\$1,737,338	\$1,693,947	\$43,391
Supervision	\$496,382	\$483,985	\$12,397
Total Architectural Costs	\$2,233,721	\$2,177,932	\$55,788
Total Survey & Engineering	\$150,000	\$146,254	\$3,746
CONSTRUCTION INTEREST & FEES			
Construction Loan Interest	\$8,015,609	\$7,815,415	\$200,194
Origination Fee	\$467,863	\$456,177	\$11,685
Credit Enhancement/Application Fee	\$10,000	\$9,750	\$250
Bond Premium			
Cost of Issuance	\$150,000	\$146,254	\$3,746
Title & Recording	\$80,000	\$78,002	\$1,998
Taxes	\$50,000	\$48,751	\$1,249
Insurance	\$350,000	\$341,259	\$8,741
Other: (Specify)	\$0		
Total Construction Interest & Fees	\$9,123,472	\$8,895,608	\$227,864
PERMANENT FINANCING			
Loan Origination Fee	\$9,577	\$9,338	\$239
Credit Enhancement/Application Fee	\$25,000	\$24,376	\$624
Title & Recording	\$20,000	\$19,500	\$500
Taxes	\$0		\$0
Insurance	\$0		\$0
Other: (I)	\$0		
Total Permanent Financing Costs	\$54,577	\$53,214	\$1,363
Subtotals Forward	\$61,215,007	\$52,929,301	\$8,285,706

FINANCIAL MODEL FOR OPTION A1 - WEST 16TH & M STREETS

RENT SCHEDULE

All elect; Comm. HW

County: Applicable Source:

Merced TCAC
100% AMI 2023

Max Rent

AMI / Income Restriction	Unit Type	# of Apts	Square Ft Per Appt.	Gross Rent	Utility Allowance	Net Rent	Annual Max by Unit Set Aside	# of PB Vouchers	Voucher FMR / Contract	Net Rent Increment	Annual Max. Voucher Rent
30%	Studio	3	450	\$ 433	\$ 70	\$ 363	\$ 13,075			\$ (363)	0
30%	1 Bdrm	11	620	\$ 464	\$ 78	\$ 386	\$ 50,926			\$ (386)	0
30%	2 Bdrm	12	925	\$ 557	\$ 100	\$ 457	\$ 65,779			\$ (457)	0
30%	3 Bdrm	8	1100	\$ 643	\$ 120	\$ 523	\$ 50,227			\$ (523)	0
50%	Studio	4	450	\$ 722	\$ 70	\$ 652	\$ 31,296			\$ (652)	0
50%	1 Bdrm	15	620	\$ 773	\$ 78	\$ 695	\$ 125,100			\$ (695)	0
50%	2 Bdrm	16	925	\$ 928	\$ 100	\$ 828	\$ 158,976			\$ (828)	0
50%	3 Bdrm	13	1100	\$ 1,072	\$ 120	\$ 952	\$ 148,512			\$ (952)	0
60%	Studio	2	450	\$ 866	\$ 70	\$ 796	\$ 19,114			\$ (796)	0
60%	1 Bdrm	9	620	\$ 928	\$ 78	\$ 850	\$ 91,757			\$ (850)	0
60%	2 Bdrm	9	925	\$ 1,114	\$ 100	\$ 1,014	\$ 109,469			\$ (1,014)	0
60%	3 bdrm	8	1100	\$ 1,286	\$ 120	\$ 1,166	\$ 111,974			\$ (1,166)	0
Staff	2 Bdrm	1	925			\$ -	\$ -			\$ -	0

TOTAL		111	92,800	\$ 91,890	\$ 10,540	\$ 77,855	\$ 976,205	-		\$ -	
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30% 33.3 34 29 0.26 27 701.30 0.24 38 0.34

Commercial

Square Feet 3145
Gross Rent/SF 2 Monthly NNN
Gross Rent \$ 6,290
Annual \$ 75,480
Operating Expens Incl in Cash Flow, in RE tax

Community Room and Admin Offices

2678 Sq. Ft.

Circulation and Mechanical Space

27300 Sq. Ft.

Total Building SF Excluding Parking

125,923 Sq. Ft.

Parking

Residential 115
Commercial 99
Total 214
Square feet 300 64200
Type Structure at grade
Rate No charge if tax credit unit

Other Income

Laundry 10/Unit/Mo. 13320

0 BR	1444
1 BR	1546
2 BR	1856
3 BR	2144
4 BR	2392
5 BR	

AVG

Affordability

0.46

100% AMI
\$1,444
\$1,546
\$1,856
\$2,144
\$2,392

County: Applicable Source:

Merced HCD MHP

2022 AMI Income Limits per HH Size	100%	30%	Per Month	Max Rent Check
1 person	71000	21300	1775	532.5
2 persons	81100	24330	2027.5	608.25
3 persons	91200	27360	2280	684
4 persons	101300	30390	2532.5	759.75
5 persons	109500	32850	2737.5	821.25
6 persons	117600	35280	2940	882
7 persons	125700	37710	3142.5	942.75
8 persons	133800	40140	3345	1003.5

FINANCIAL MODEL FOR OPTION A1 - WEST 16TH & M STREETS

DEVELOPMENT BUDGET DETAIL, PERMANENT SOURCES AND USES AND ELIGIBLE BASIS

	TOTAL Cost	Residential Costs	Commercial Cost
LAND COST/ACQUISITION			
Land Cost or Value	\$0	\$0	
Demolition	\$0		
Legal/Title/Escrow	\$15,000	\$14,625	\$375
Land Lease Rent Prepayment	\$0		
Total Land Cost or Value	\$15,000	\$14,625	\$375
Existing Improvements Value	\$0		
Off-Site Improvements	\$0		
Total Acquisition Cost	\$0	\$0	\$0
Total Land Cost / Acquisition Cost	\$15,000	\$14,625	\$375
Predevelopment Interest/Holding Cost	\$0		\$0
Assumed, Accrued Interest on Existing Debt (Rehabilitation/Acquisition)	\$0		
Excess Purchase Price Over Appraisal	\$0		
New Construction			
Site Work	\$2,051,300	\$2,000,068	\$51,232
Structures	\$29,466,720	\$28,730,772	\$735,948
General Requirements	\$1,891,081	\$1,843,850	\$47,231
Contractor Overhead	\$945,541	\$921,925	\$23,615
Contractor Profit	\$945,541	\$921,925	\$23,615
Parking Structure	\$12,840,000	\$5,750,000	\$7,090,000
General Liability Insurance and P&P Bonds	\$998,055	\$973,128	\$24,927
Third-party Construction Management	\$0		\$0
Other: (PV)	\$500,000	\$500,000	
Total Construction Costs	\$49,638,238	\$41,641,668	\$7,996,570
Total Relocation Expenses	\$0		
ARCHITECTURAL FEES			
Design	\$1,737,338	\$1,693,947	\$43,391
Supervision	\$496,382	\$483,985	\$12,397
Total Architectural Costs	\$2,233,721	\$2,177,932	\$55,788
Total Survey & Engineering	\$150,000	\$146,254	\$3,746
CONSTRUCTION INTEREST & FEES			
Construction Loan Interest	\$8,015,609	\$7,815,415	\$200,194
Origination Fee	\$467,863	\$456,177	\$11,685
Credit Enhancement/Application Fee	\$10,000	\$9,750	\$250
Bond Premium			
Cost of Issuance	\$150,000	\$146,254	\$3,746
Title & Recording	\$80,000	\$78,002	\$1,998
Taxes	\$50,000	\$48,751	\$1,249
Insurance	\$350,000	\$341,259	\$8,741
Other: (Specify)	\$0		
Total Construction Interest & Fees	\$9,123,472	\$8,895,603	\$227,86
PERMANENT FINANCING			
Loan Origination Fee	\$9,577	\$9,338	\$239
Credit Enhancement/Application Fee	\$25,000	\$24,376	\$624
Title & Recording	\$20,000	\$19,500	\$500
Taxes	\$0		\$0
Insurance	\$0		\$0
Other: ()	\$0		
Total Permanent Financing Costs	\$54,577	\$53,214	\$1,363
Subtotals Forward	\$61,215,007	\$52,929,301	\$8,285,706

FINANCIAL MODEL FOR OPTION A1 - WEST 16TH & M STREETS

DEVELOPMENT BUDGET DETAIL, PERMANENT SOURCES AND USES AND ELIGIBLE BASIS

	TOTAL Cost	Residential Costs	Commercial Cost
LEGAL FEES AND THIRD-PARTY CONSULTING FEES			
Lender Legal Paid by Applicant	\$80,000	\$80,000	
Financial Consulting, Application Preparation/Review	\$150,000	\$150,000	
Entitlement Services, Building Permit Expediting	\$0		
Tenant File Review Services	\$0		
Construction closing legal, Borrowers	\$45,000	\$43,876	\$1,124
Total Legal and Consulting Costs	\$275,000	\$273,876	\$1,124
RESERVES			
Rent Reserves	\$0		
Capitalized Rent Reserves	\$0		
Required Capitalized Replacement Reserve	\$0		
3-Month Operating Reserve	\$187,905	\$187,905	
Other: (Commercial TI Allowance)	\$471,750		\$471,750
Total Reserve Costs	\$659,655	\$187,905	\$471,750
CONTINGENCY COSTS			
Construction Hard Cost Contingency	\$2,481,912	\$2,419,925	\$61,987
Soft Cost Contingency	\$500,000	\$487,512	\$12,488
Total Contingency Costs	\$2,981,912	\$2,907,437	\$74,475
OTHER PROJECT COSTS			
CTCAC App/Allocation/Monitoring Fees		\$0	
Environmental Audit	\$35,000	\$34,126	\$874
Local Development Impact Fees	\$1,864,831	\$1,818,255	\$46,575
Permit Processing Fees	\$250,000	\$243,756	\$6,244
Capital Fees	\$75,000	\$73,127	\$1,873
Marketing	\$55,500	\$54,114	\$1,386
Furnishings	\$150,000	\$146,254	\$3,746
Market Study	\$18,000	\$8,000	\$10,000
Accounting/Reimbursables	\$25,000	\$25,000	
Appraisal Costs	\$17,000	\$16,575	\$425
3rd party construction supervision	\$150,000	\$146,254	\$3,746
Syndication Consultant	\$65,000	\$65,000	
Other: (Specify)	\$0		
Total Other Costs	\$2,705,331	\$2,630,461	\$74,870
SUBTOTAL PROJECT COST	\$67,836,905	\$58,928,980	\$8,907,925
DEVELOPER COSTS			
Developer Overhead/Profit, for basis	\$7,766,168	\$7,572,203	\$193,965
Processing Agent Fees	\$0		
Broker Fees Paid to a Related Party	\$0		
Construction Management by Developer	\$0		
Other: (Specify)	\$0		
Total Developer Costs	\$7,766,168	\$7,572,203	\$193,965
TOTAL PROJECT COSTS	\$75,603,073	\$66,501,184	\$9,101,888

FINANCIAL MODEL FOR OPTION A1 - WEST 16TH & M STREETS

REVENUE	MULTIPLIER	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Rent	102.5%	\$976,205	\$1,000,610	\$1,025,625	\$1,051,266	\$1,077,547	\$1,104,486	\$1,132,098	\$1,160,401	\$1,189,411	\$1,219,146
Less Vacancy	5.00%	-48,810	-50,030	-51,281	-52,563	-53,877	-55,224	-56,605	-58,020	-59,471	-60,957
Commercial Rent	102.0%	56,610	57,742	58,897	60,075	61,276	62,502	63,752	65,027	66,328	67,654
Less Vacancy	50.00%	-28,305	-28,871	-29,449	-30,037	-30,638	-31,251	-31,876	-32,514	-33,164	-33,827
Miscellaneous Income	102.5%	13,320	13,653	13,994	14,344	14,703	15,070	15,447	15,833	16,229	16,635
Less Vacancy	5.00%	-666	-683	-700	-717	-735	-754	-772	-792	-811	-832
Total Revenue		\$968,354	\$992,421	\$1,017,087	\$1,042,367	\$1,068,276	\$1,094,830	\$1,122,044	\$1,149,936	\$1,178,522	\$1,207,819
EXPENSES											
Operating Expenses:	103.5%										
Administrative		\$27,800	28773	\$29,780	\$30,822	\$31,901	\$33,018	\$34,173	\$35,369	\$36,607	\$37,889
Management Fee	103.50%	79,920	82,717	85,612	88,609	91,710	94,920	98,242	101,681	105,239	108,923
Utilities		101,500	105,053	108,729	112,535	116,474	120,550	124,769	129,136	133,656	138,334
Payroll & Payroll Taxes		279,500	289,283	299,407	309,887	320,733	331,958	343,577	355,602	368,048	380,930
Insurance and RE Tax		12,500	12,938	13,390	13,859	14,344	14,846	15,366	15,903	16,460	17,036
Maintenance		77,200	79,902	82,699	85,593	88,589	91,689	94,899	98,220	101,658	105,216
Resident Services	103.50%	75,000	77,625	80,342	83,154	86,064	89,076	92,194	95,421	98,761	102,217
Total Operating Expenses	\$ 5,585	\$653,420	\$676,290	\$699,960	\$724,458	\$749,814	\$776,058	\$803,220	\$831,333	\$860,429	\$890,544
Ground Lease Payment (if applicable)			0	0	0	0	0	0	0	0	0
Replacement Reserve	500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Bond Issuance	4500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
HCD Monitoring Fee - .42%	\$ 117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452
Total Expenses		\$830,872	\$853,741	\$877,411	\$901,910	\$927,266	\$953,510	\$980,672	\$1,008,784	\$1,037,881	\$1,067,996
Cash Flow Prior to Debt Service		\$137,482	\$138,680	\$139,676	\$140,457	\$141,010	\$141,320	\$141,373	\$141,152	\$140,641	\$139,823
MUST PAY DEBT SERVICE											
1st Mortgage	35 year AM	98,201	98,201	98,201	98,201	98,201	98,201	98,201	98,201	98,201	98,201
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
Total Debt Service		\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201
Cash Flow After Debt Service		\$39,281	\$40,478	\$41,474	\$42,256	\$42,808	\$43,119	\$43,171	\$42,950	\$42,439	\$41,622
Debt Coverage Ratio		1.40	1.41	1.42	1.43	1.44	1.44	1.44	1.44	1.43	1.42
Percent of Gross Revenue		3.75%	3.78%	3.78%	3.75%	3.71%	3.65%	3.56%	3.46%	3.34%	3.19%
OTHER FEES											
Above residual receipts line for cash flow											
GP Partnership Management Fee		\$25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
LP Asset Management Fee		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Other Fees		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Remaining Cash Flow		\$9,281	\$10,478	\$11,474	\$12,256	\$12,808	\$13,119	\$13,171	\$12,950	\$12,439	\$11,622
Deferred Developer Fee	50%	\$4,640	\$5,239	\$5,737	\$6,128	\$6,404	\$6,559	\$6,586	\$6,475	\$6,220	\$5,811
Above residual receipts line for cash flow											
Residual or Soft Debt Paymen	50%										
	HCD	\$4,640	5,239	5,737	6,128	6,404	6,559	6,586	6,475	6,220	5,811
Total Other Fees		4,640	5,239	5,737	6,128	6,404	6,559	6,586	6,475	6,220	5,811
Cash Flow		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

FINANCIAL MODEL FOR OPTION A1 - WEST 16TH & M STREETS

REVENUE	MULTIPLIER	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
Gross Rent	102.5%	\$1,219,146	\$1,249,625	\$1,280,865	\$1,312,887	\$1,345,709	\$1,379,352	\$1,413,836	\$1,449,182	\$1,485,411	\$1,522,546	\$1,560,610
Less Vacancy	5.00%	-60,957	-62,481	-64,043	-65,644	-67,285	-68,968	-70,692	-72,459	-74,271	-76,127	-78,030
Commercial Rent	102.0%	67,654	69,007	70,387	71,795	73,231	74,696	76,190	77,713	79,268	80,853	82,470
Less Vacancy	50.00%	-33,827	-34,504	-35,194	-35,898	-36,616	-37,348	-38,095	-38,857	-39,634	-40,427	-41,235
Miscellaneous Income	102.5%	16,635	17,051	17,477	17,914	18,362	18,821	19,291	19,774	20,268	20,775	21,294
Less Vacancy	5.00%	-832	-853	-874	-896	-918	-941	-965	-989	-1,013	-1,039	-1,065
Total Revenue		\$1,207,819	\$1,237,845	\$1,268,619	\$1,300,158	\$1,332,483	\$1,365,612	\$1,399,565	\$1,434,364	\$1,470,029	\$1,506,581	\$1,544,044
EXPENSES												
Operating Expenses:	103.5%											
Administrative		\$37,889	\$39,215	\$40,587	\$42,008	\$43,478	\$45,000	\$46,575	\$48,205	\$49,892	\$51,638	\$53,446
Management Fee	103.50%	108,923	112,735	116,681	120,765	124,991	129,366	133,894	138,580	143,430	148,451	153,646
Utilities		138,334	143,176	148,187	153,373	158,742	\$164,297	\$170,048	\$176,000	\$182,160	\$188,535	\$195,134
Payroll & Payroll Taxes		380,930	394,262	408,062	422,344	437,126	\$452,425	\$468,260	\$484,649	\$501,612	\$519,168	\$537,339
Insurance and RE Tax		17,036	17,632	18,250	18,888	19,549	\$20,234	\$20,942	\$21,675	\$22,433	\$23,219	\$24,031
Maintenance		105,216	108,898	112,710	116,655	120,737	\$124,963	\$129,337	\$133,864	\$138,549	\$143,398	\$148,417
Resident Services	103.50%	102,217	105,795	109,498	113,330	117,297	121,402	125,651	130,049	134,601	139,312	144,188
Total Operating Expenses	\$ 5,585	\$890,544	\$921,713	\$953,973	\$987,362	\$1,021,920	\$1,057,687	\$1,094,706	\$1,133,021	\$1,172,677	\$1,213,721	\$1,256,201
Ground Lease Payment (if applicable)		0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Bond Issuance	4500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
HCD Monitoring Fee - .42%	\$ 117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452	117,452
Total Expenses		\$1,067,996	\$1,099,165	\$1,131,425	\$1,164,814	\$1,199,372	\$1,235,139	\$1,272,158	\$1,310,473	\$1,350,129	\$1,391,172	\$1,433,652
Cash Flow Prior to Debt Service		\$139,823	\$138,680	\$137,194	\$135,344	\$133,111	\$130,473	\$127,407	\$123,891	\$119,900	\$115,409	\$110,391
MUST PAY DEBT SERVICE												
1st Mortgage	35 year AM	98,201	98,201	98,201	98,201	98,201	98,201	98,201	98,201	98,201	98,201	98,201
		0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0
Total Debt Service		\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201	\$98,201
Cash Flow After Debt Service		\$41,622	\$40,479	\$38,992	\$37,143	\$34,910	\$32,271	\$29,206	\$25,690	\$21,699	\$17,208	\$12,190
Debt Coverage Ratio		1.42	1.41	1.40	1.38	1.36	1.33	1.30	1.26	1.22	1.18	1.12
Percent of Gross Revenue		3.19%	3.03%	2.85%	2.65%	2.43%	2.19%	1.94%	1.66%	1.37%	1.06%	0.73%
OTHER FEES												
Above residual receipts line for cash flow												
GP Partnership Management Fee		25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	\$25,000
LP Asset Management Fee		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Other Fees		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Remaining Cash Flow		\$11,622	\$10,479	\$8,992	\$7,143	\$4,910	\$2,271	-\$794	-\$4,310	-\$8,301	-\$12,792	-\$17,810
Deferred Developer Fee	50%	\$5,811	\$5,239	\$4,496	\$3,571	\$2,455	\$1,136	-\$397	-\$2,155	-\$4,151	-\$6,396	-\$8,905
Above residual receipts line for cash flow												
Residual or Soft Debt Paymen	50%											
	HCD	5,811	5,239	4,496	3,571	2,455	\$1,136	-\$397	-\$2,155	-\$4,151	-6,396	-\$8,905
Total Other Fees		5,811	5,239	4,496	3,571	2,455	1,136	-397	-2,155	-4,151	-6,396	-8,905
Cash Flow		\$0	\$0	\$0	\$0	\$0	0	0	0	0	\$0	0

OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

SOURCES CONSIDERATIONS

The removal of the City parking from the West 16th & M model creates two options to improve the competitiveness for gap funding. It does not eliminate any one source. The following selected option is to reduce the state housing tax credit by about \$7 million (from \$13 million to \$6 million). The other option would be to reduce the state HCD gap funding source. Under current conditions, there is greater increase in competitiveness for the tax credits/bonds by asking for less state tax credit than for the HCD programs.

COST CONSIDERATIONS

At \$602,000 per unit total development cost without the City parking, and \$562k per unit without grossed up developer fee, the total cost are much more in line with other high density podium, prevailing wage projects. Also important is the simplification of construction with less parking, no subterranean excavation, dewatering, shoring, and a shortened construction time frame.

FINANCIAL MODEL FOR OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

CONSTRUCTION SOURCES OF FUNDS		Amount	Per Unit	Notes
Tax Exempt Construction Loan	\$	31,196,979	\$	281,054
Taxable Construction Loan	\$	23,840,523	\$	214,779
LIHTC Equity	\$	4,868,977	\$	43,865
			\$	-
0	\$	-	\$	-
Expenses def to Const Loan payoff/Mortgage closing	\$	1,763,955	\$	15,891
Deferred Dev. Fee Payable from cash flow	\$	65,032	\$	586
Contributed Developer Fee (for basis only)	\$	5,090,217	\$	45,858
TOTAL CONSTRUCTION SOURCES	\$	66,825,684	\$	602,033
				Sized to pass 50%, Test at 55% \$ 53,887,503 Bank Construction Loan Total
				Remainder needed after sources below and 55% tax exempt
				15% of total tax credit equity
				GP loan
				Estimated at 100/sf
				Perm. loan expenses, operating reserve, and 10% Of. Df.
				Payable from cash flow over 12 years
				Net fee paid during dev. period: \$ 2,500,000

PERMANENT SOURCES OF FUNDS		Amount	Per Unit	Maximum/Notes
TE Bond-Backed Amortizing Loan	\$	1,245,000	\$	11,216
LIHTC/Tax Credit Equity	\$	32,459,844	\$	292,431
			\$	-
			\$	-
SuperNOFA MHP/Infill or AHSC	\$	27,965,590		251,942
Deferred Dev. Fee Payable from cash flow	\$	65,032	\$	586
Contributed Developer Fee (for basis only)	\$	5,090,217	\$	45,858
TOTAL PERMANENT SOURCES	\$	66,825,684	\$	602,033
				Plugged for gap as long as under max loans from 2023 NOFAs
				Net paid during dev. period:
				\$ 2,500,000 \$ 5,090,217

USES OF FUNDS		Amount	Per Unit	Notes
Land Value and costs	\$	15,000	\$	135
Residential and Retail Construction Costs	\$	36,664,588	\$	330,312
Residential Parking Construction Costs	\$	5,750,000	\$	51,802
City Replacement Parking Costs	\$	-	\$	-
Architecture, Engineering, Const Super, Speciality Studies	\$	2,330,406	\$	20,995
Construction Loan Interest and Fees	\$	8,257,648	\$	74,393
Bond and Mortgage Fees	\$	54,577	\$	492
Legal and Finance Consulting Fees	\$	340,000	\$	3,063
Operating Reserves	\$	187,905	\$	1,693
Hard and Soft Cost Contingencies	\$	2,678,229	\$	24,128
Permits, Impact Fees, Utility/Tap Fees	\$	2,189,831	\$	19,728
Developer Fee - Gross	\$	7,655,250	\$	68,966
Other: Finance, Furn, AcCnt and Marketing	\$	702,250	\$	6,327
TOTAL USES	\$	66,825,684	\$	602,033
				Escrow fees only
				State and fed prevailing wages PSF: \$ 291.17
				115 parking spaces @\$50k each, incl 10% GCs and Profit
				26 months total term
				3 months operating expenses, debt service
				10% hard cost, 5% soft
				Max per TCAC for basis only - check impact on tie breakers and net paid at \$2.5 million max

SURPLUS/GAP	\$	0	\$	0
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FINANCIAL MODEL FOR OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

RENT SCHEDULE

All elect; Comm. HW

County Merced
Applicable Source: TCAC
100% AMI Max 2023
Rent

AMI / Income Restriction	Unit Type	# of Apts	Square Ft Per Appt.	Gross Rent	Utility Allowance	Net Rent	Annual Max by Unit Set Aside	# of PB Vouchers	Voucher FMR / Contract	Net Rent Increment	Annual Max. Voucher Rent
30%	Studio	3	450	\$ 433	\$ 70	\$ 363	\$ 13,075			\$ (363)	0
30%	1 Bdrm	11	620	\$ 464	\$ 78	\$ 386	\$ 50,926			\$ (386)	0
30%	2 Bdrm	12	925	\$ 557	\$ 100	\$ 457	\$ 65,779			\$ (457)	0
30%	3 Bdrm	8	1100	\$ 643	\$ 120	\$ 523	\$ 50,227			\$ (523)	0
50%	Studio	4	450	\$ 722	\$ 70	\$ 652	\$ 31,296			\$ (652)	0
50%	1 Bdrm	15	620	\$ 773	\$ 78	\$ 695	\$ 125,100			\$ (695)	0
50%	2 Bdrm	16	925	\$ 928	\$ 100	\$ 828	\$ 158,976			\$ (828)	0
50%	3 Bdrm	13	1100	\$ 1,072	\$ 120	\$ 952	\$ 148,512			\$ (952)	0
60%	Studio	2	450	\$ 866	\$ 70	\$ 796	\$ 19,114			\$ (796)	0
60%	1 Bdrm	9	620	\$ 928	\$ 78	\$ 850	\$ 91,757			\$ (850)	0
60%	2 Bdrm	9	925	\$ 1,114	\$ 100	\$ 1,014	\$ 109,469			\$ (1,014)	0
60%	3 bdrm	8	1100	\$ 1,286	\$ 120	\$ 1,166	\$ 111,974			\$ (1,166)	0
Staff	2 Bdrm	1	925			\$ -	\$ -			\$ -	0
TOTAL			111	92,800	\$ 91,890	\$ 10,540	\$ 77,855	\$ 976,205	-	\$ -	

0 BR	1444
1 BR	1546
2 BR	1856
3 BR	2144
4 BR	2392
5 BR	

100% AMI
\$1,444
\$1,546
\$1,856
\$2,144
\$2,392

AVG Affordability 0.46

County Merced
Applicable Source: HCD MHP

2022 AMI Income Limits per HH Size	100%	30%	Per Month	Max Rent Check
1 person	71000	21300	1775	532.5
2 persons	81100	24330	2027.5	608.25
3 persons	91200	27360	2280	684
4 persons	101300	30390	2532.5	759.75
5 persons	109500	32850	2737.5	821.25
6 persons	117600	35280	2940	882
7 persons	125700	37710	3142.5	942.75
8 persons	133800	40140	3345	1003.5

30% 33.3 34 29 0.26 27 701.30 0.24 38 0.34

Commercial

Square Feet 3145
Gross Rent/SF 2 Monthly NNN
Gross Rent \$ 6,290
Annual \$ 75,480
Operating Expenses Incl in Cash Flow, in RE tax

Community Room and Admin Offices

2678 Sq. Ft.

Circulation and Mechanical Space

27300 Sq. Ft.

Total Building SF Excluding Parking

125,923 Sq. Ft.

Parking

Residential 115
Commercial
Total 115
Square feet 300 34500
Type Structure at grade
Rate No charge if tax credit unit

Other Income

Laundry 10/unit/mo 13320

FINANCIAL MODEL FOR OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

DEVELOPMENT BUDGET DETAIL, PERMANENT SOURCES AND USES AND ELIGIBLE BASIS

	TOTAL Cost	Residential Costs	Commercial Cost
LAND COST/ACQUISITION			
Land Cost or Value	\$0	\$0	
Demolition	\$0		
Legal/Title/Escrow	\$15,000	\$14,625	\$375
Land Lease Rent Prepayment	\$0		
Total Land Cost or Value	\$15,000	\$14,625	\$375
Existing Improvements Value	\$0		
Off-Site Improvements	\$0		
Total Acquisition Cost	\$0	\$0	\$0
Total Land Cost / Acquisition Cost	\$15,000	\$14,625	\$375
Predevelopment Interest/Holding Cost	\$0		\$0
Assumed, Accrued Interest on Existing Debt (Rehabilitation/Acquisition)	\$0		
Excess Purchase Price Over Appraisal	\$0		
New Construction			
Site Work	\$2,051,300	\$2,000,068	\$51,232
Structures	\$29,466,720	\$28,730,772	\$735,948
General Requirements	\$1,891,081	\$1,843,850	\$47,231
Contractor Overhead	\$945,541	\$921,925	\$23,615
Contractor Profit	\$945,541	\$921,925	\$23,615
Parking Structure	\$5,750,000	\$5,750,000	
General Liability Insurance and P&P Bonds	\$838,530	\$817,588	\$20,943
Third-party Construction Management	\$0		\$0
Other: (PV)	\$500,000	\$500,000	
Total Construction Costs	\$42,388,713	\$41,486,128	\$902,585
Total Relocation Expenses	\$0		
ARCHITECTURAL FEES			
Design	\$1,483,605	\$1,446,551	\$37,054
Supervision	\$423,887	\$413,300	\$10,587
Total Architectural Costs	\$1,907,492	\$1,859,851	\$47,641
Total Survey & Engineering	\$150,000	\$146,254	\$3,746
CONSTRUCTION INTEREST & FEES			
Construction Loan Interest	\$7,197,536	\$7,017,773	\$179,763
Origination Fee	\$420,113	\$409,620	\$10,493
Credit Enhancement/Application Fee	\$10,000	\$9,750	\$250
Bond Premium			
Cost of Issuance	\$150,000	\$146,254	\$3,746
Title & Recording	\$80,000	\$78,002	\$1,998
Taxes	\$50,000	\$48,751	\$1,249
Insurance	\$350,000	\$341,259	\$8,741
Other: (Specify)	\$0		
Total Construction Interest & Fees	\$8,257,648	\$8,051,409	\$206,240
PERMANENT FINANCING			
Loan Origination Fee	\$9,577	\$9,338	\$239
Credit Enhancement/Application Fee	\$25,000	\$24,376	\$624
Title & Recording	\$20,000	\$19,500	\$500
Taxes	\$0		\$0
Insurance	\$0		\$0
Other: ()	\$0		
Total Permanent Financing Costs	\$54,577	\$53,214	\$1,363
Subtotals Forward	\$52,773,430	\$51,611,480	\$1,161,950

FINANCIAL MODEL FOR OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

DEVELOPMENT BUDGET DETAIL, PERMANENT SOURCES AND USES AND ELIGIBLE BASIS

	TOTAL Cost	Residential Costs	Commercial Cost
LEGAL FEES AND THIRD-PARTY CONSULTING FEES			
Lender Legal Paid by Applicant	\$80,000	\$80,000	
Financial Consulting, Application Preparation/Review	\$150,000	\$150,000	
Entitlement Services, Building Permit Expediting	\$0		
Tenant File Review Services	\$0		
Construction closing legal, Borrowers	\$45,000	\$43,876	\$1,124
Total Legal and Consulting Costs	\$275,000	\$273,876	\$1,124
RESERVES			
Rent Reserves	\$0		
Capitalized Rent Reserves	\$0		
Required Capitalized Replacement Reserve	\$0		
3-Month Operating Reserve	\$187,905	\$187,905	
Other: (Commercial TI Allowance)	\$471,750		\$471,750
Total Reserve Costs	\$659,655	\$187,905	\$471,750
CONTINGENCY COSTS			
Construction Hard Cost Contingency	\$2,119,436	\$2,066,502	\$52,934
Soft Cost Contingency	\$500,000	\$487,512	\$12,488
Total Contingency Costs	\$2,619,436	\$2,554,014	\$65,422
OTHER PROJECT COSTS			
CTCAC App/Allocation/Monitoring Fees		\$0	
Environmental Audit	\$35,000	\$34,126	\$874
Local Development Impact Fees	\$1,864,831	\$1,818,255	\$46,575
Permit Processing Fees	\$250,000	\$243,756	\$6,244
Capital Fees	\$75,000	\$73,127	\$1,873
Marketing	\$55,500	\$54,114	\$1,386
Furnishings	\$150,000	\$146,254	\$3,746
Market Study	\$18,000	\$8,000	\$10,000
Accounting/Reimbursables	\$25,000	\$25,000	
Appraisal Costs	\$17,000	\$16,575	\$425
3rd party construction supervision	\$150,000	\$146,254	\$3,746
Syndication Consultant	\$65,000	\$65,000	
Other: (Specify)	\$0		
Total Other Costs	\$2,705,331	\$2,630,461	\$74,870
SUBTOTAL PROJECT COST	\$59,032,851	\$57,257,735	\$1,775,115
DEVELOPER COSTS			
Developer Overhead/Profit, for basis	\$7,655,250	\$7,464,055	\$191,194
Processing Agent Fees	\$0		
Broker Fees Paid to a Related Party	\$0		
Construction Management by Developer	\$0		
Other: (Specify)	\$0		
Total Developer Costs	\$7,655,250	\$7,464,055	\$191,194
TOTAL PROJECT COSTS	\$66,688,101	\$64,721,791	\$1,966,310

FINANCIAL MODEL FOR OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

REVENUE	MULTIPLIER	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Rent	102.5%	\$976,205	\$1,000,610	\$1,025,625	\$1,051,266	\$1,077,547	\$1,104,486	\$1,132,098	\$1,160,401	\$1,189,411	\$1,219,146
Less Vacancy	5.00%	-48,810	-50,030	-51,281	-52,563	-53,877	-55,224	-56,605	-58,020	-59,471	-60,957
Commercial Rent	102.0%	56,610	57,742	58,897	60,075	61,276	62,502	63,752	65,027	66,328	67,654
Less Vacancy	50.00%	-28,305	-28,871	-29,449	-30,037	-30,638	-31,251	-31,876	-32,514	-33,164	-33,827
Miscellaneous Income	102.5%	13,320	13,653	13,994	14,344	14,703	15,070	15,447	15,833	16,229	16,635
Less Vacancy	5.00%	-666	-683	-700	-717	-735	-754	-772	-792	-811	-832
Total Revenue		\$968,354	\$992,421	\$1,017,087	\$1,042,367	\$1,068,276	\$1,094,830	\$1,122,044	\$1,149,936	\$1,178,522	\$1,207,819
EXPENSES											
Operating Expenses:	103.5%										
Administrative		\$27,800	28773	\$29,780	\$30,822	\$31,901	\$33,018	\$34,173	\$35,369	\$36,607	\$37,889
Management Fee	103.50%	79,920	82,717	85,612	88,609	91,710	94,920	98,242	101,681	105,239	108,923
Utilities		101,500	105,053	108,729	112,535	116,474	120,550	124,769	129,136	133,656	138,334
Payroll & Payroll Taxes		279,500	289,283	299,407	309,887	320,733	331,958	343,577	355,602	368,048	380,930
Insurance and RE Tax		12,500	12,938	13,390	13,859	14,344	14,846	15,366	15,903	16,460	17,036
Maintenance		77,200	79,902	82,699	85,593	88,589	91,689	94,899	98,220	101,658	105,216
Resident Services	103.50%	75,000	77,625	80,342	83,154	86,064	89,076	92,194	95,421	98,761	102,217
Total Operating Expenses	\$ 5,585	\$653,420	\$676,290	\$699,960	\$724,458	\$749,814	\$776,058	\$803,220	\$831,333	\$860,429	\$890,544
Ground Lease Payment (if applicable)			0	0	0	0	0	0	0	0	0
Replacement Reserve	500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Bond Issuance	4500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
HCD Monitoring Fee - .42%	\$ 117,455	117,455	117,455	117,455	117,455	117,455	117,455	117,455	117,455	117,455	117,455
Total Expenses		\$830,875	\$853,745	\$877,415	\$901,914	\$927,270	\$953,513	\$980,675	\$1,008,788	\$1,037,885	\$1,068,000
Cash Flow Prior to Debt Service		\$137,478	\$138,676	\$139,672	\$140,453	\$141,006	\$141,316	\$141,369	\$141,148	\$140,637	\$139,819
MUST PAY DEBT SERVICE											
1st Mortgage	35 year AM	98,199	98,199	98,199	98,199	98,199	98,199	98,199	98,199	98,199	98,199
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
Total Debt Service		\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199
Cash Flow After Debt Service		\$39,279	\$40,477	\$41,473	\$42,254	\$42,807	\$43,118	\$43,170	\$42,949	\$42,438	\$41,620
Debt Coverage Ratio		1.40	1.41	1.42	1.43	1.44	1.44	1.44	1.44	1.43	1.42
Percent of Gross Revenue		3.75%	3.78%	3.78%	3.75%	3.71%	3.65%	3.56%	3.46%	3.34%	3.19%
OTHER FEES											
Above residual receipts line for cash flow											
GP Partnership Management Fee		\$25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
LP Asset Management Fee		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Other Fees		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Remaining Cash Flow		\$9,279	\$10,477	\$11,473	\$12,254	\$12,807	\$13,118	\$13,170	\$12,949	\$12,438	\$11,620
Deferred Developer Fee	50%	\$4,640	\$5,239	\$5,737	\$6,127	\$6,404	\$6,559	\$6,585	\$6,475	\$6,219	\$5,810
Above residual receipts line for cash flow											
Residual or Soft Debt Paymen	50%										
	HCD	\$4,640	5,239	5,737	6,127	6,404	6,559	6,585	6,475	6,219	5,810
Total Other Fees		4,640	5,239	5,737	6,127	6,404	6,559	6,585	6,475	6,219	5,810
Cash Flow		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

FINANCIAL MODEL FOR OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

REVENUE	MULTIPLIER	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
Gross Rent	102.5%	\$1,249,625	\$1,280,865	\$1,312,887	\$1,345,709	\$1,379,352	\$1,413,836	\$1,449,182	\$1,485,411	\$1,522,546	\$1,560,610
Less Vacancy	5.00%	-62,481	-64,043	-65,644	-67,285	-68,968	-70,692	-72,459	-74,271	-76,127	-78,030
Commercial Rent	102.0%	69,007	70,387	71,795	73,231	74,696	76,190	77,713	79,268	80,853	82,470
Less Vacancy	50.00%	-34,504	-35,194	-35,898	-36,616	-37,348	-38,095	-38,857	-39,634	-40,427	-41,235
Miscellaneous Income	102.5%	17,051	17,477	17,914	18,362	18,821	19,291	19,774	20,268	20,775	21,294
Less Vacancy	5.00%	-853	-874	-896	-918	-941	-965	-989	-1,013	-1,039	-1,065
Total Revenue		\$1,237,845	\$1,268,619	\$1,300,158	\$1,332,483	\$1,365,612	\$1,399,565	\$1,434,364	\$1,470,029	\$1,506,581	\$1,544,044
EXPENSES											
Operating Expenses:	103.5%										
Administrative		\$39,215	\$40,587	\$42,008	\$43,478	\$45,000	\$46,575	\$48,205	\$49,892	\$51,638	\$53,446
Management Fee	103.50%	112,735	116,681	120,765	124,991	129,366	133,894	138,580	143,430	148,451	153,646
Utilities		143,176	148,187	153,373	158,742	\$164,297	\$170,048	\$176,000	\$182,160	\$188,535	\$195,134
Payroll & Payroll Taxes		394,262	408,062	422,344	437,126	\$452,425	\$468,260	\$484,649	\$501,612	\$519,168	\$537,339
Insurance and RE Tax		17,632	18,250	18,888	19,549	\$20,234	\$20,942	\$21,675	\$22,433	\$23,219	\$24,031
Maintenance		108,898	112,710	116,655	120,737	\$124,963	\$129,337	\$133,864	\$138,549	\$143,398	\$148,417
Resident Services	103.50%	105,795	109,498	113,330	117,297	121,402	125,651	130,049	134,601	139,312	144,188
Total Operating Expenses	\$ 5,585	\$921,713	\$953,973	\$987,362	\$1,021,920	\$1,057,687	\$1,094,706	\$1,133,021	\$1,172,677	\$1,213,721	\$1,256,201
Ground Lease Payment (if applicable)		0	0	0	0	0	0	0	0	0	0
Replacement Reserve	500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Bond Issuance	4500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
HCD Monitoring Fee - .42%	\$ 117,455	117,455	117,455	117,455	117,455	117,455	117,455	117,455	117,455	117,455	117,455
Total Expenses		\$1,099,169	\$1,131,429	\$1,164,818	\$1,199,376	\$1,235,143	\$1,272,162	\$1,310,477	\$1,350,132	\$1,391,176	\$1,433,656
Cash Flow Prior to Debt Service		\$138,676	\$137,190	\$135,340	\$133,107	\$130,469	\$127,403	\$123,887	\$119,897	\$115,405	\$110,388
MUST PAY DEBT SERVICE											
1st Mortgage	35 year AM	98,199	98,199	98,199	98,199	98,199	98,199	98,199	98,199	98,199	98,199
		0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0
Total Debt Service		\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199	\$98,199
Cash Flow After Debt Service		\$40,478	\$38,991	\$37,142	\$34,909	\$32,270	\$29,205	\$25,689	\$21,698	\$17,207	\$12,189
Debt Coverage Ratio		1.41	1.40	1.38	1.36	1.33	1.30	1.26	1.22	1.18	1.12
Percent of Gross Revenue		3.03%	2.85%	2.65%	2.43%	2.19%	1.93%	1.66%	1.37%	1.06%	0.73%
OTHER FEES											
Above residual receipts line for cash flow											
GP Partnership Management Fee		25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	\$25,000
LP Asset Management Fee		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Other Fees		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Remaining Cash Flow		\$10,478	\$8,991	\$7,142	\$4,909	\$2,270	-\$795	-\$4,311	-\$8,302	-\$12,793	-\$17,811
Deferred Developer Fee	50%	\$5,239	\$4,496	\$3,571	\$2,454	\$1,135	-\$398	-\$2,156	-\$4,151	-\$6,397	-\$8,906
Above residual receipts line for cash flow											
Residual or Soft Debt Paymen	50%										
	HCD	5,239	4,496	3,571	2,454	\$1,135	-\$398	-\$2,156	-\$4,151	-6,397	-\$8,906
Total Other Fees		5,239	4,496	3,571	2,454	1,135	-398	-2,156	-4,151	-6,397	-8,906
Cash Flow		\$0	\$0	\$0	\$0	0	0	0	0	\$0	0

OPTION B - N, 18TH & 19TH STREETS

At 60 residential units, 1,530 square feet of ground floor commercial space, full ground floor podium, structured parking for 65 residential spaces and 38 City-replacement spaces, and an elevated walkway above the alley, the site and design presents all of the high-cost disadvantages discussed in the other models, with much less operating efficiency. These factors lead to a 9% tax credit structure as the primary finance model with the most potential for success. Competing for 9% housing tax credits more predictably comes down to the lowest percentage of tax credit requested relative to development costs. This means the more gap funding is contributed, the better chance of a 9% award. To the extent gap funding is provided at the local level, the average affordability can be higher than the 4% models requiring HCD gap funding. This can offset some of the operational inefficiencies created by the low unit count.

The following model meets the threshold and maximum point categories for the current 9% tax credit program but includes the maximum annual federal credit allocation of \$2.5 million and the maximum state allocation (30% of eligible basis/costs). Even when adding in a very generous land value assumption and the value of the AFFP fee reductions, the tie breaker score is in the 38% range. This includes the baseline assumption of \$6.5 million HCD IIG to cover the parking and other infrastructure, and approximately \$2.2 million additional local funding. This is far short of winning scores in previous years. It is also worth noting that there will be no 9% awards out of the Central Valley regional allocation in 2023, unless there are waiting list awards in December. This is due to the oversubscription in 2022 of the Central Valley region from the waiting list awards. In reviewing 2021-2022 tie breaker scores for the Central Valley region awarded (non-special needs) projects, that range was approximately 45% to 72%. With an estimate score of 38%, the proposed finance structure is something to build upon, but far from the level of certainty preferred by most experienced developers.

FINANCIAL MODEL FOR OPTION B - N, 18TH & 19TH STREETS

CONSTRUCTION SOURCES OF FUNDS	Amount	Per Unit	Notes
Taxable Construction Loan	\$ 26,686,225	\$ 444,770	
LIHTC Equity	\$ 4,515,469	\$ 75,258	15% of total tax credit equity
Additional Gap Funding Needed	\$ 2,420,944	\$ 40,349	
HCD IIG	\$ 6,500,000	\$ 108,333	
Expenses def to Const Loan payoff/Mortgage closing	\$ 601,432	\$ 10,024	Perm. loan expenses, operating reserve, and 10% Of. Df.
Deferred Dev. Fee Payable from cash flow		\$ -	
GP Equity - from Dev Fee, adj for gap	\$ -	\$ -	
TOTAL CONSTRUCTION SOURCES	\$ 40,724,069	\$ 678,734	

PERMANENT SOURCES OF FUNDS	Amount	Per Unit	Maximum/Notes
TE Bond-Backed Amortizing Loan	\$ 1,700,000	\$ 28,333	35 year Am/17 year Term
LIHTC/Tax Credit Equity	\$ 30,103,126	\$ 501,719	9%- .88 federal/.75 state
		\$ -	
Additional Gap Funding Needed	\$ 2,420,944	\$ 40,349	City funding TBD. Does not include fee reductions.
HCD IIG	\$ 6,500,000	\$ 108,333	IIG only to avoid .42% fee
Deferred Dev. Fee Payable from cash flow	\$ -	\$ -	
General Partner Equity - from Dev Fee, adj for gap	\$ -	\$ -	
TOTAL PERMANENT SOURCES	\$ 40,724,070	\$ 678,734	

USES OF FUNDS	Amount	Per Unit	Notes
Land Value and costs	\$ 15,000	\$ 250	Escrow fees only
Residential and Retail Construction Costs	\$ 21,017,593	\$ 350,293	State and fed. prevailing wages PSF: \$ 291.05
Residential Parking Construction Costs	\$ 3,900,000	\$ 65,000	65 parking spaces @\$60k each, incl 10% GCs and Profit
City Replacement Parking Costs	\$ 2,280,000	\$ 38,000	38 parking spaces @ \$60k ea, includes 10% GCs and profit
Structure, Engineering, Const Super, Speciality Studies	\$ 1,865,868	\$ 31,098	
Construction Loan Interest and Fees	\$ 3,742,568	\$ 62,376	22 months total term
Bond and Mortgage Fees	\$ 57,750	\$ 963	
Legal and Finance Consulting Fees	\$ 490,000	\$ 8,167	
Operating Reserves	\$ 116,432	\$ 1,941	3 months operating expenses, debt service
Hard and Soft Cost Contingencies	\$ 3,069,759	\$ 51,163	10% hard cost, 5% soft
Permits, Impact Fees, Utility/Tap Fees	\$ 1,460,000	\$ 24,333	
Developer Fee - Gross	\$ 2,200,000	\$ 36,667	
Other: Finance, Furn, Accnt and Marketing	\$ 509,100	\$ 8,485	
TOTAL USES	\$ 40,724,069	\$ 678,734	

SURPLUS/GAP	\$ 0	\$ 0
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FINANCIAL MODEL FOR OPTION B - N, 18TH & 19TH STREETS

RENT SCHEDULE

All elect; Comm. HW

AMI / Income Restriction	Unit Type	# of Apts	Square Ft Per Appt.	Gross Rent	Utility Allowance	Utility Allowance	Net Rent	# of PB Vouchers	Voucher FMR / Contract	Net Rent Increment	Annual Max. Voucher Rent
30%	Studio	1	450	\$ 433	\$ 70	\$ 363	\$ 4,358			\$ (363)	0
30%	1 Bdrm	3	620	\$ 464	\$ 78	\$ 386	\$ 13,889			\$ (386)	0
30%	2 Bdrm	3	925	\$ 557	\$ 100	\$ 457	\$ 16,445			\$ (457)	0
30%	3 Bdrm	2	1100	\$ 643	\$ 120	\$ 523	\$ 12,557			\$ (523)	0
50%	Studio	2	450	\$ 722	\$ 70	\$ 652	\$ 15,648			\$ (652)	0
50%	1 Bdrm	12	620	\$ 773	\$ 78	\$ 695	\$ 100,080			\$ (695)	0
50%	2 Bdrm	12	925	\$ 928	\$ 100	\$ 828	\$ 119,232			\$ (828)	0
50%	3 Bdrm	9	1100	\$ 1,072	\$ 120	\$ 952	\$ 102,816			\$ (952)	0
60%	Studio	2	450	\$ 866	\$ 70	\$ 796	\$ 19,114			\$ (796)	0
60%	1 Bdrm	5	620	\$ 928	\$ 78	\$ 850	\$ 50,976			\$ (850)	0
60%	2 Bdrm	4	925	\$ 1,114	\$ 100	\$ 1,014	\$ 48,653			\$ (1,014)	0
60%	3 bdrm	4	1100	\$ 1,286	\$ 120	\$ 1,166	\$ 55,987			\$ (1,166)	0
Staff	2 Bdrm	1	925			\$ -	\$ -			\$ -	0

TOTAL	60	49,650	\$ 52,256	\$ 5,610	\$ 77,855	\$ 559,754	-	\$ -
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10%	6	9	15	0.25	18	402.12	0.30	20	0.33
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Commercial

Square Feet	1530
Gross Rent/SF	2 Monthly NNN
Gross Rent	\$ 3,060
Annual	\$ 36,720
Operating Expenses	Incl in Cash Flow, in RE tax

Parking

Residential	65
Commercial	38
Total	103
Square feet	300 30900
Type	Structure at grade
Rate	no charge if tax credit unit

Other Income

Laundry	10/unit/mo	7200
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Community Room and Admin Offices

8710	Sq. Ft.
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Circulation and Mech

12323	Sq. Ft.
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Total building SF excluding parking

72,213	Sq. Ft.
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Unit count by size	
0	5
1	20
2	20
3	15
Total	60

County Applicable Source:

Merced TCAC
100% AMI 2023
Max Rent

0 BR	1444
1 BR	1546
2 BR	1856
3 BR	2144
4 BR	2392
5 BR	

AVG
Affordability
0.49

100% AMI
\$1,444
\$1,546
\$1,856
\$2,144
\$2,392

County Applicable Source:

Merced HCD MHP

2022 AMI Income Limits per HH Size	100%	30%	Per Month	Max Rent Check
1 person	71000	21300	1775	532.5
2 persons	81100	24330	2027.5	608.25
3 persons	91200	27360	2280	684
4 persons	101300	30390	2532.5	759.75
5 persons	109500	32850	2737.5	821.25
6 persons	117600	35280	2940	882
7 persons	125700	37710	3142.5	942.75
8 persons	133800	40140	3345	1003.5

FINANCIAL MODEL FOR OPTION B - N, 18TH & 19TH STREETS

DEVELOPMENT BUDGET DETAIL, PERMANENT SOURCES AND USES AND ELIGIBLE BASIS

	TOTAL Cost	Residential Costs	Commercial Cost
LAND COST/ACQUISITION			
Land Cost or Value	\$0	\$0	
Demolition	\$0		
Legal/Title/Escrow	\$15,000	\$14,682	\$318
Land Lease Rent Prepayment	\$0		
Total Land Cost or Value	\$15,000	\$14,682	\$318
Existing Improvements Value	\$0		
Off-Site Improvements	\$0		
Total Acquisition Cost	\$0	\$0	\$0
Total Land Cost / Acquisition Cost	\$15,000	\$14,682	\$318
Predevelopment Interest/Holding Cost	\$0		\$0
Assumed, Accrued Interest on Existing Debt (Rehabilitation/Acquisition)	\$0		
Excess Purchase Price Over Appraisal	\$0		
New Construction			
Site Work	\$1,711,000	\$1,674,748	\$36,252
Structures	\$16,257,090	\$15,912,646	\$344,444
General Requirements	\$1,078,085	\$1,055,244	\$22,842
Contractor Overhead	\$539,043	\$527,622	\$11,421
Contractor Profit	\$539,043	\$527,622	\$11,421
Parking Structure	\$6,180,000	\$3,900,000	\$2,280,000
General Liability Insurance and P&P Bonds	\$543,332	\$531,820	\$11,512
Third-party Construction Management	\$0		\$0
Other: (PV)	\$350,000	\$500,000	
Total Construction Costs	\$27,197,593	\$24,629,702	\$2,717,891
Total Relocation Expenses	\$0		
ARCHITECTURAL FEES			
Design	\$1,223,892	\$1,197,961	\$25,931
Supervision	\$271,976	\$266,213	\$5,762
Total Architectural Costs	\$1,495,868	\$1,464,174	\$31,693
Total Survey & Engineering	\$150,000	\$146,822	\$3,178
CONSTRUCTION INTEREST & FEES			
Construction Loan Interest	\$3,135,817	\$3,069,377	\$66,440
Origination Fee	\$216,751	\$212,159	\$4,592
Credit Enhancement/Application Fee	\$10,000	\$9,788	\$212
Bond Premium			
Cost of Issuance		\$0	\$0
Title & Recording	\$80,000	\$78,305	\$1,695
Taxes	\$50,000	\$48,941	\$1,059
Insurance	\$250,000	\$244,703	\$5,297
Other: (Specify)	\$0		
Total Construction Interest & Fees	\$3,742,568	\$3,663,273	\$79,295
PERMANENT FINANCING			
Loan Origination Fee	\$12,750	\$12,480	\$270
Credit Enhancement/Application Fee	\$25,000	\$24,470	\$530
Title & Recording	\$20,000	\$19,576	\$424
Taxes	\$0		\$0
Insurance	\$0		\$0
Other: (I)	\$0		
Total Permanent Financing Costs	\$57,750	\$56,526	\$1,224
Subtotals Forward	\$32,658,778	\$29,975,180	\$2,833,599

FINANCIAL MODEL FOR OPTION B - N, 18TH & 19TH STREETS

DEVELOPMENT BUDGET DETAIL, PERMANENT SOURCES AND USES AND ELIGIBLE BASIS

	TOTAL Cost	Residential Costs	Commercial Cost
LEGAL FEES AND THIRD-PARTY CONSULTING FEES			
Lender Legal Paid by Applicant	\$80,000	\$80,000	
Financial Consulting, Application Preparation/Review	\$150,000	\$150,000	
Entitlement Services, Building Permit Expediting	\$0		
Tenant File Review Services	\$0		
Construction closing legal, Borrowers	\$45,000	\$44,047	\$953
Total Legal and Consulting Costs	\$275,000	\$274,047	\$953
RESERVES			
Rent Reserves	\$0		
Capitalized Rent Reserves	\$0		
Required Capitalized Replacement Reserve	\$0		
3-Month Operating Reserve	\$116,432	\$116,432	
Other: (Commercial TI Allowance)	\$229,500		\$229,500
Total Reserve Costs	\$345,932	\$116,432	\$229,500
CONTINGENCY COSTS			
Construction Hard Cost Contingency	\$2,719,759	\$2,662,135	\$57,624
Soft Cost Contingency	\$350,000	\$342,584	\$7,416
Total Contingency Costs	\$3,069,759	\$3,004,719	\$65,040
OTHER PROJECT COSTS			
CTCAC App/Allocation/Monitoring Fees	\$124,600	\$124,600	
Environmental Audit	\$35,000	\$34,258	\$742
Local Development Impact Fees	\$960,000	\$939,660	\$20,340
Permit Processing Fees	\$250,000	\$244,703	\$5,297
Capital Fees	\$250,000	\$244,703	\$5,297
Marketing	\$30,000	\$29,364	\$636
Furnishings	\$100,000	\$97,881	\$2,119
Market Study	\$18,000	\$8,000	\$10,000
Accounting/Reimbursables	\$25,000	\$25,000	
Appraisal Costs	\$17,000	\$16,640	\$360
3rd party construction supervision	\$150,000	\$146,822	\$3,178
Syndication Consultant	\$65,000	\$65,000	
Other: (Specify)	\$0		
Total Other Costs	\$2,024,600	\$1,976,632	\$47,968
SUBTOTAL PROJECT COST	\$38,524,069	\$35,347,009	\$3,177,060
DEVELOPER COSTS			
Developer Overhead/Profit	\$2,200,000	\$2,153,388	\$46,612
Processing Agent Fees	\$0		
Broker Fees Paid to a Related Party	\$0		
Construction Management by Developer	\$0		
Other: (Specify)	\$0		
Total Developer Costs	\$2,200,000	\$2,153,388	\$46,612
TOTAL PROJECT COSTS	\$40,724,069	\$37,500,397	\$3,223,672

FINANCIAL MODEL FOR OPTION B - N, 18TH & 19TH STREETS

REVENUE	MULTIPLIER	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Rent	102.5%	\$559,754	\$573,748	\$588,092	\$602,794	\$617,864	\$633,311	\$649,143	\$665,372	\$682,006	\$699,057
Less Vacancy	5.00%	-27,988	-28,687	-29,405	-30,140	-30,893	-31,666	-32,457	-33,269	-34,100	-34,953
Commercial Rent	102.0%	27,540	28,091	28,653	29,226	29,810	30,406	31,015	31,635	32,267	32,913
Less Vacancy	50.00%	-13,770	-14,045	-14,326	-14,613	-14,905	-15,203	-15,507	-15,817	-16,134	-16,456
Miscellaneous Income	102.5%	7,200	7,380	7,565	7,754	7,947	8,146	8,350	8,559	8,773	8,992
Less Vacancy	5.00%	-360	-369	-378	-388	-397	-407	-417	-428	-439	-450
Total Revenue		\$552,377	\$566,117	\$580,200	\$594,633	\$609,426	\$624,587	\$640,126	\$656,051	\$672,374	\$689,102
EXPENSES											
Operating Expenses:	103.5%										
Administrative		\$20,700	21424.5	\$22,174	\$22,950	\$23,754	\$24,585	\$25,446	\$26,336	\$27,258	\$28,212
Management Fee	103.50%	43,200	44,712	46,277	47,897	49,573	51,308	53,104	54,962	56,886	58,877
Utilities		44,500	46,058	47,670	49,338	51,065	52,852	54,702	56,616	58,598	60,649
Payroll & Payroll Taxes		117,000	121,095	125,333	129,720	134,260	138,959	143,823	148,857	154,067	159,459
Insurance and RE Tax		7,500	7,763	8,034	8,315	8,606	8,908	9,219	9,542	9,876	10,222
Maintenance		46,200	47,817	49,491	51,223	53,016	54,871	56,792	58,779	60,837	62,966
Resident Services	103.50%	45,000	46,575	48,205	49,892	51,639	53,446	55,316	57,253	59,256	61,330
Total Operating Expenses		\$324,100	\$335,444	\$347,184	\$359,335	\$371,912	\$384,929	\$398,402	\$412,346	\$426,778	\$441,715
Ground Lease Payment (if applicable)			0	0	0	0	0	0	0	0	0
Replacement Reserve	500	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Bond Issuance		0	0	0	0	0	0	0	0	0	0
HCD Monitoring Fee - .42%		0	0	0	0	0	0	0	0	0	0
Total Expenses		\$354,100	\$365,444	\$377,184	\$389,335	\$401,912	\$414,929	\$428,402	\$442,346	\$456,778	\$471,715
Cash Flow Prior to Debt Service		\$198,277	\$200,674	\$203,016	\$205,298	\$207,514	\$209,658	\$211,724	\$213,706	\$215,596	\$217,387
MUST PAY DEBT SERVICE											
1st Mortgage		141,626	141,626	141,626	141,626	141,626	141,626	141,626	141,626	141,626	141,626
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
Total Debt Service		\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626
Cash Flow After Debt Service		\$56,650	\$59,048	\$61,390	\$63,672	\$65,888	\$68,032	\$70,098	\$72,080	\$73,970	\$75,761
Percent of Gross Revenue		9.53%	9.69%	9.83%	9.95%	10.05%	10.13%	10.18%	10.22%	10.23%	10.22%
OTHER FEES											
Above residual receipts line for cash flow											
GP Partnership Management Fee		\$25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
LP Asset Management Fee		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Other Fees		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Remaining Cash Flow		\$26,650	\$29,048	\$31,390	\$33,672	\$35,888	\$38,032	\$40,098	\$42,080	\$43,970	\$45,761
Deferred Developer Fee	50%	\$13,325	\$14,524	\$15,695	\$16,836	\$17,944	\$19,016	\$20,049	\$21,040	\$21,985	\$22,881
Above residual receipts line for cash flow											
Residual or Soft Debt Paymen	50%										
	HCD	\$13,325	14,524	15,695	16,836	17,944	19,016	20,049	21,040	21,985	22,881
Total Other Fees		13,325	14,524	15,695	16,836	17,944	19,016	20,049	21,040	21,985	22,881
Cash Flow		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

FINANCIAL MODEL FOR OPTION B - N, 18TH & 19TH STREETS

REVENUE	MULTIPLIER	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
Gross Rent	102.5%	\$716,533	\$734,446	\$752,807	\$771,628	\$790,918	\$810,691	\$830,959	\$851,733	\$873,026	\$894,851
Less Vacancy	5.00%	-35,827	-36,722	-37,640	-38,581	-39,546	-40,535	-41,548	-42,587	-43,651	-44,743
Commercial Rent	102.0%	33,571	34,243	34,927	35,626	36,338	37,065	37,807	38,563	39,334	40,121
Less Vacancy	50.00%	-16,786	-17,121	-17,464	-17,813	-18,169	-18,533	-18,903	-19,281	-19,667	-20,060
Miscellaneous Income	102.5%	9,217	9,447	9,683	9,925	10,173	10,428	10,688	10,956	11,230	11,510
Less Vacancy	5.00%	-461	-472	-484	-496	-509	-521	-534	-548	-561	-576
Total Revenue		\$706,248	\$723,820	\$741,830	\$760,288	\$779,206	\$798,596	\$818,468	\$838,835	\$859,710	\$881,104
EXPENSES											
Operating Expenses:	103.5%										
Administrative		\$29,199	\$30,221	\$31,279	\$32,374	\$33,507	\$34,680	\$35,894	\$37,150	\$38,450	\$39,796
Management Fee	103.50%	60,938	63,071	65,278	67,563	69,928	72,375	74,908	77,530	80,244	83,052
Utilities		62,772	64,969	67,243	69,596	\$72,032	\$74,553	\$77,162	\$79,863	\$82,658	\$85,551
Payroll & Payroll Taxes		165,040	170,816	176,795	182,983	\$189,387	\$196,016	\$202,876	\$209,977	\$217,326	\$224,933
Insurance and RE Tax		10,579	10,950	11,333	11,730	\$12,140	\$12,565	\$13,005	\$13,460	\$13,931	\$14,419
Maintenance		65,170	67,451	69,811	72,255	\$74,784	\$77,401	\$80,110	\$82,914	\$85,816	\$88,820
Resident Services	103.50%	63,477	65,699	67,998	70,378	72,841	75,391	78,029	80,760	83,587	86,513
Total Operating Expenses		\$457,175	\$473,176	\$489,737	\$506,878	\$524,619	\$542,981	\$561,985	\$581,654	\$602,012	\$623,083
Ground Lease Payment (if applicable)		0	0	0	0	0	0	0	0	0	0
Replacement Reserve	500	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30000
Bond Issuance		0	0	0	0	0	0	0	0	0	0
HCD Monitoring Fee - .42%		0	0	0	0	0	0	0	0	0	0
Total Expenses		\$487,175	\$503,176	\$519,737	\$536,878	\$554,619	\$572,981	\$591,985	\$611,654	\$632,012	\$653,083
Cash Flow Prior to Debt Service		\$219,073	\$220,644	\$222,092	\$223,410	\$224,587	\$225,615	\$226,483	\$227,181	\$227,697	\$228,021
MUST PAY DEBT SERVICE											
1st Mortgage		141,626	141,626	141,626	141,626	141,626	141,626	141,626	141,626	141,626	141,626
		0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0
Total Debt Service		\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626	\$141,626
Cash Flow After Debt Service		\$77,446	\$79,018	\$80,466	\$81,784	\$82,961	\$83,989	\$84,857	\$85,555	\$86,071	\$86,395
Percent of Gross Revenue		10.20%	10.15%	10.09%	10.01%	9.91%	9.79%	9.65%	9.49%	9.32%	9.13%
OTHER FEES											
Above residual receipts line for cash flow											
GP Partnership Management Fee		25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	\$25,000
LP Asset Management Fee		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Other Fees		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Remaining Cash Flow		\$47,446	\$49,018	\$50,466	\$51,784	\$52,961	\$53,989	\$54,857	\$55,555	\$56,071	\$56,395
Deferred Developer Fee	50%	\$23,723	\$24,509	\$25,233	\$25,892	\$26,481	\$26,994	\$27,428	\$27,777	\$28,036	\$28,198
Above residual receipts line for cash flow											
Residual or Soft Debt Paymen	50%										
HCD		23,723	24,509	25,233	25,892	\$26,481	\$26,994	\$27,428	\$27,777	28,036	\$28,198
Total Other Fees		23,723	24,509	25,233	25,892	26,481	26,994	27,428	27,777	28,036	28,198
Cash Flow		\$0	\$0	\$0	\$0	0	0	0	0	\$0	0

SUMMARY & COMPARISON

LOCATION

The 2 alternate sites are 2 city blocks from each other. Thus, the proximity to schools, commerce, services, jobs, and transit resources is approximately equal.

Site B: N, 18th and 19th is closer to the lower density residential neighborhoods to the northwest and northeast and the park surrounding the county north of 20th Street.

URBAN FORM & AESTHETICS

Both site include the use of one level of underground parking to minimize the presence of parking on the street fronts.

Because the parking on Site B is stand alone on the north portion of the site and covers the entire site, there will be parking facing on both street fronts.

Both sites locate the common areas and office on the street front along with some retail to activate the street.

The outdoor common area on Site A has excellent access to sunlight a good part of the day. The outdoor common area in Site B will have less access to sunlight.

Both sites can result in buildings that can be done well aesthetically, aside from the presence of exposed parking on the north portion of Site B.

BUILDING SYSTEMS & COSTS

Both sites are geometrized to have 6 floors above ground. The construction cost per square foot of both sites will therefore be generally similar. Site A will have slightly lower construction costs because it is a larger project.

Site B will have a slight cost advantage because it can be 5 stories of wood frame over on story of concrete. Whereas Site A will require 2 stories of concrete because of the 2 stories of parking above ground.

YIELD

Site A is clearly superior in that it can provide approximately 111 units versus approximately 60 units on Site B.

Both can meet to parking objectives for both replacement of city parking and parking for residents.

FINANCE

While the exact parameters of each of the State of California's affordable housing finance programs can and does vary from year to year, the priorities are expected to continue to focus on production, cost efficiency, infill, access to quality public transit, and leveraging.

Both sites hit high marks as good quality infill affordable housing opportunities. Both sites are in a designated "Low Resource" census tract and will not receive priorities given to sites in "High/Highest Resource" under the state's current approach to Affirmative Further Fair Housing.

Site A's higher unit yield has the added benefit of higher operational efficiency potential, although is likely to be dependent on State programs that prioritize deeper affordability and special needs population set aside units.

Site A will also be disadvantaged from the higher City parking space-to-unit ratio, but the replacement parking requirement is a challenge for either of the sites and a concern they will face foremost as a concept rather than at the margins.

CONCLUSION

Many aspects of the 2 sites are approximately equal. The residential apartment yield and financability of Site A is clearly superior. We are recommending that the city proceed with next step for development for Site A: 16th and N Streets.

REFINED DEVELOPMENT CONCEPT FOR SELECTED SITE

INTRODUCTION

As the previous section of this report clearly identifies, Site A is the superior site when it comes to development potential when considering affordable housing. The consultant is recommending that the City consider option A2, without basement parking, the preferred development option.

While it is recognized that the City strongly desires to replace the existing parking on site as part of this development project, it has been clearly articulated in this report that this approach creates an insurmountable burden for the project, likely rendering it financially infeasible. As will be noted in the Recommendations section to follow, the Consultant has begun to contemplate some options for how the City might provide said parking through alternative methods beyond requiring it be incorporated into the housing development project.

As part of this recommendation, the consultant is providing a more refined design concept for Site A and incorporating the relevant information regarding the concept into this section as well.

The design renderings are applicable with both Option A1: with basement parking and Option A2: without basement parking. The refined design concept is consistent with the design concept and financial models articulated in the Development Options Analysis section.

The concept includes material and forms that we believe will be an asset for Downtown Merced.

ENTITLEMENT CHANGES REQUIRED

The existing zoning for the recommended parcel is C-C zoning, the most flexible and intensive zoning definition in the City of Merced. This zoning classification allows for zero lot line construction, has no height restriction, and has the most generous densities available, up to 36 Dwelling Units per acre, without any additional entitlements required.

However, likely any project which could be feasible to finance at this location would require a development density in excess of that 36 DUA. While a 100% affordable housing project would have the prerogative to request additional density bonus up to 80% of the maximum allowed, that would only increase density to 65 DUA.

The various concepts proposed by the consultant propose densities of 108 and 77 for Site A and Site B, respectively. It is the Consultant's professional opinion that any Affordable Housing project at these locations would require a level of density similar, potentially even in excess, of those proposed above. As projects would need to be competitive in pursuit of the various funds that help finance Affordable Housing projects, an important criteria for such is the cost per unit for the project. As larger projects with more units are typically more efficient on a cost per unit basis, as they employ further economy of scale and can spread fixed overhead costs across more doors, it is commonly understood in Affordable Housing finance that there is a certain minimum project size which is competitive for the various funding options.

In that regard, the city policy that requires a Conditional Use Permit for projects in the CC zone which are in excess of the 36 DUA, is a major barrier for an Affordable Housing developer who might consider developing the subject parcel. Frankly, it is a barrier for almost any housing developer seeking to develop dense, infill housing in the Downtown Area of the City of Merced.

Thus, the City should consider ways to modify their existing ordinance to allow for reasonably expected densities by right, without the need to secure a Conditional Use Permit. Options for such include:

- Exemption for affordable housing, limitations to effectiveness as it would not modify core ordinance
- Remove requirement for most flexible zoning, the C-C zoning
- Raise base allowable density from 36 DUA to some more reasonable number, perhaps 50 or 60 DUA. This would likely require a change to the base zoning definition as well.

The alternative to this would be for the City to secure the Conditional Use Permit prior to the solicitation of the developer, thus eliminating entitlement, and CEQA, risk for the developer. The ordinance in question is provided on the following page for reference.

Notes:

- [1] A Minor Use Permit may be required per Chapter 20.32 (Interface Regulations) regardless of the uses shown in Table 20.10-1. Allowed Residential densities are as follows: a) 12.1 to 24.0 units/gross acre in the C-O, C-N, C-SC, C-T, C-G, and B-P Districts, but can be approved up to 36.0 units/gross acre with a Conditional Use Permit; and b) 12.1 to 36.0 units/gross acre in the C-C District but can be approved up to 200 units/gross acre for multi-story buildings over 5 stories with a Conditional Use Permit.



SCHEME A1 RENDER: VIEW FROM SOUTHEAST



SCHEME A1 RENDER: VIEW OF COMMUNITY COURTYARD

OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

QUANTITATIVE SUMMARY

Commercial Space	3,145 SF
Community Space	2,678 SF

Residential Units	Count	Square Footage
Studio	13	450
1 Bedroom	32	620
2 Bedroom	37	925
3 Bedroom	29	1100
TOTAL	111	

CONSTRUCTION TYPE

Two levels of podium	Type I-A construction
Four levels above podium	Type V-A construction

SITE CHARACTERISTICS

Located at the corner of 16th Street and M Street, this site is currently being utilized as a city owned parking lot. The site is adjacent to a restaurant on the west end with commercial and retail businesses across the alley to the north. There is a two-story parking structure across M Street to the east.

PROS

Flat site
Close to transit center and future high speed rail station

CONS

Site remediation likely necessary due to PCE contamination and underground gasoline storage tanks

URBAN FORM

The building is 6 stories high above grade with four wood framed floors above two concrete podium levels along with two parking levels above grade. This scheme differs from the previous in that the underground parking has been removed.

The ground level consists of three building wings with residential common space on the southwest corner, the entry, lobby, office spaces in the middle, a double-height retail space on the southeast corner and surface level parking along the alley.

The building wings allow for intimate south facing courtyard spaces between the various functions.

The second level is the first podium which carries the upper level of parking along the alley. As for the building program, this level includes the mezzanine level of the common space on the southeast corner, three residential units and lobby space in the middle wing, and the clerestory of the retail space at the southeast wing.

OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

URBAN FORM CONTINUED

The third level is the second podium level with housing filling the entire floor.

The fourth through sixth floors are wood framed with housing filling the entire floor.

The building form opens to 16th Street by utilizing three wings on the ground floor with unique building programming in each. The building wings also provide the opportunity for protected courtyards with a playground and grass area adjacent to the community space and a more intimate quiet courtyard between the retail and office spaces that could potentially be utilized for outdoor dining or simply a calm space to sit.

PARKING ACCESS QUALITY

The backside of the building adjacent to the alley is where the parking garage is located, providing convenient access to off-street parking. Unlike the previous scheme, A1, there is no underground parking, and all parking is dedicated to the project. There is no public parking.

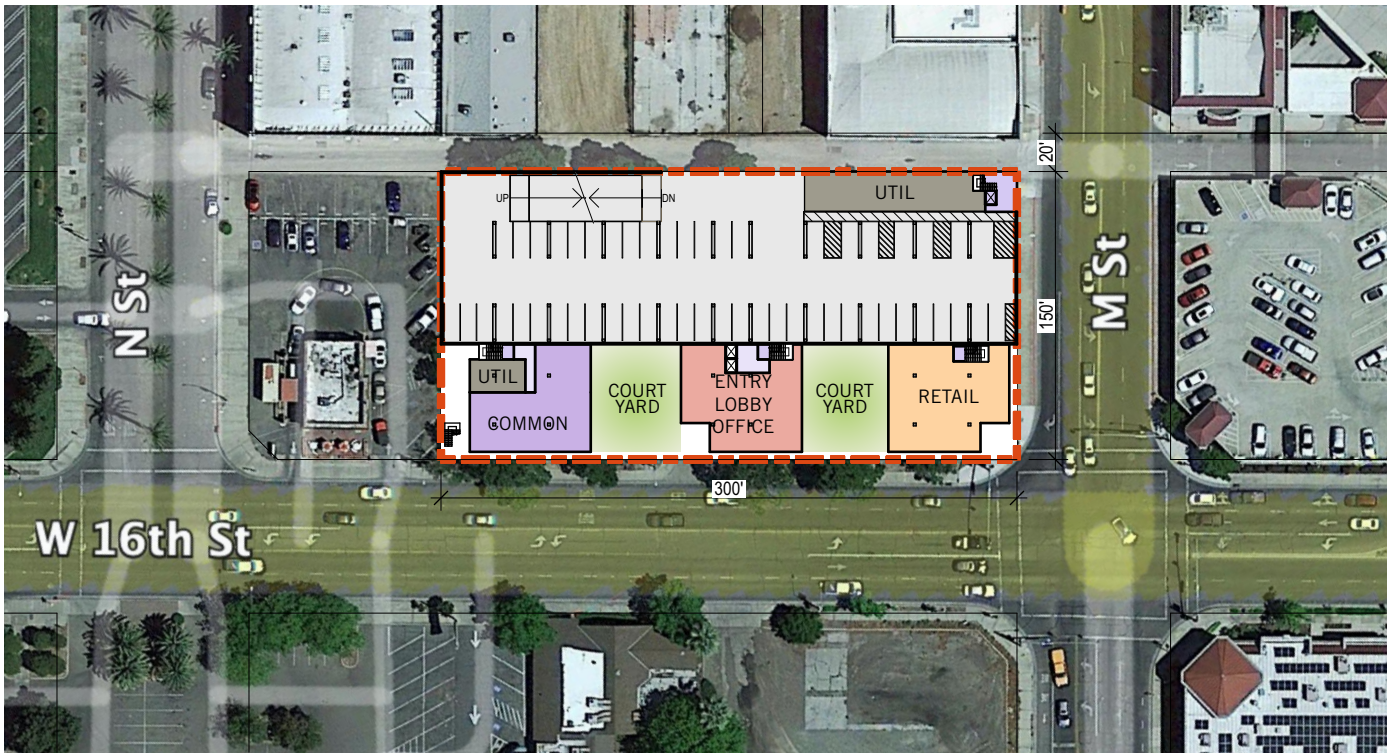
The ground and second levels of parking are designated to the project and provide residents convenient access to the lobby. This provides a nearly 1:1 parking ratio to units.

PARKING SUMMARY

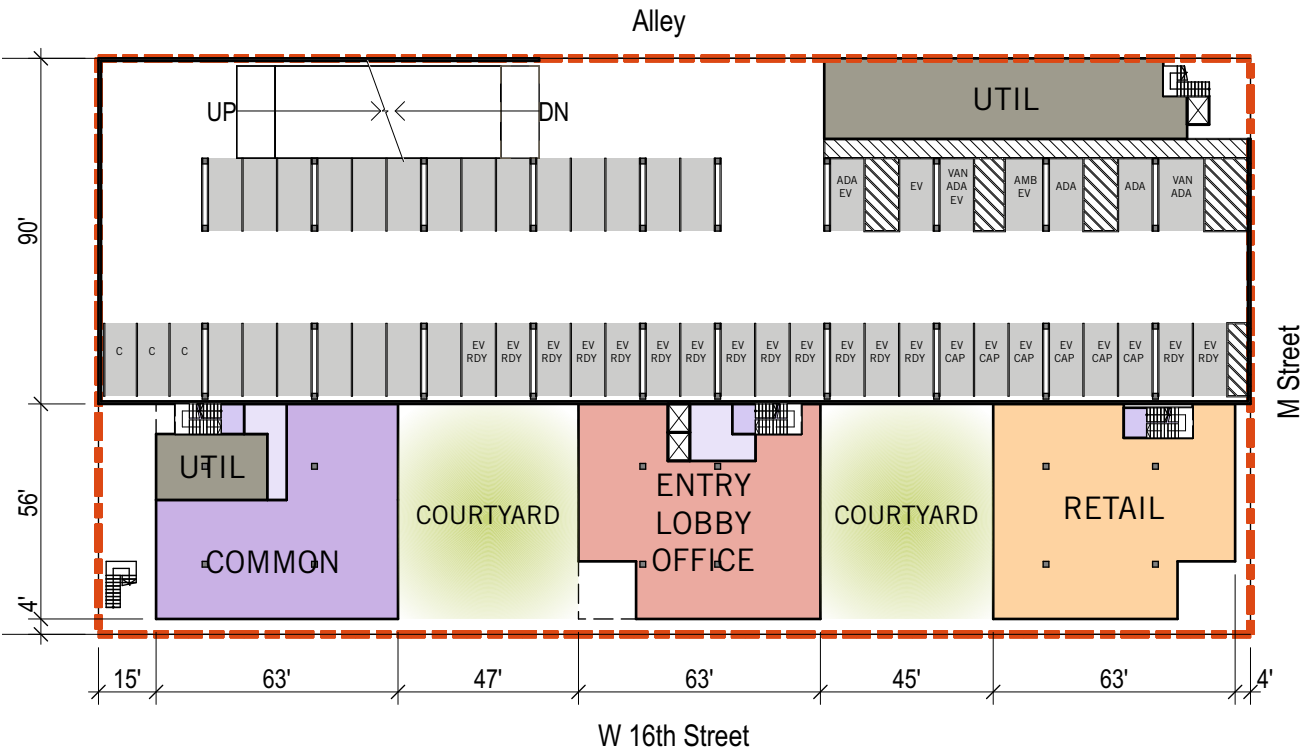
Ground Level	52
Level 2	58
TOTAL	110

OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

SITE PLAN 1"=100'

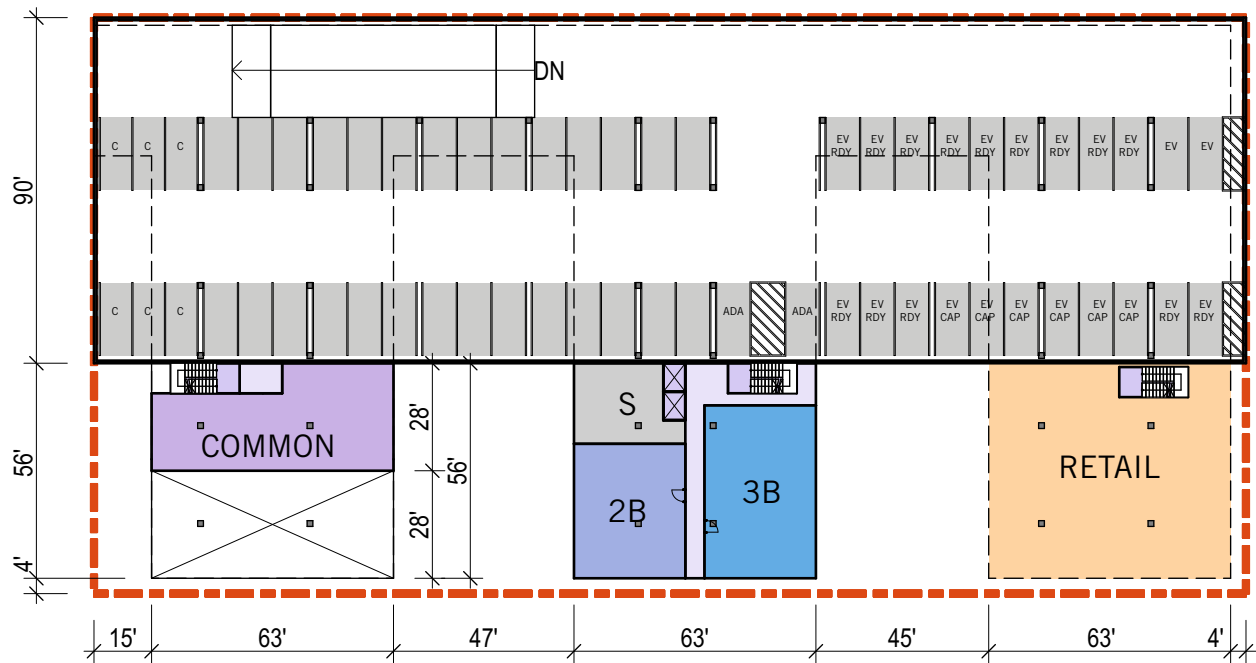


GROUND FLOOR PLAN 1"=50'

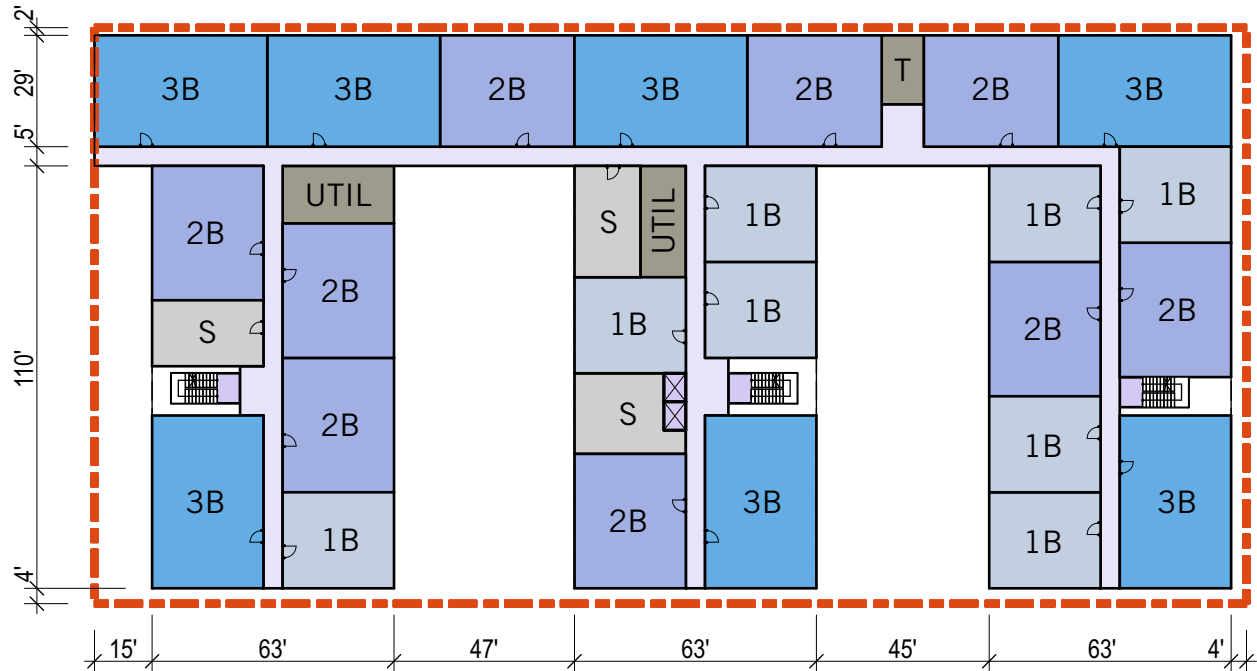


OPTION A2 - WEST 16TH & M STREETS WITHOUT CITY PARKING

PARKING LEVEL 2 1"=50'



TYPICAL UPPER FLOOR PLAN 1"=50'



RECOMMENDATIONS SUMMARY

RECOMMENDATION

Within the context of real estate development, affordable housing is among the most complex. It requires expertise, diligence, and focus to accomplish a project that will succeed as an asset for Downtown Merced.

We would recommend the following actions to enhance the attraction for an excellent developer and to increase the likelihood of success in the competitive funding programs:

1. Hire a consultant to assist with preparing the site for solicitation of a developer and with the solicitation and selection
2. Clarify all due diligence items typical for development
 - Clear any limitations on property disposition such as easements
 - Complete a Phase One Hazardous Materials survey and, if necessary, further studies and remediation to achieve a site that will accommodate residential development
 - Resolve issues around flood zone (Discuss with team if appropriate)
 - Verify entitlement process
3. Complete all necessary entitlements required to develop the site generally in conformance with the recommendations in this report. This should be done in a manner that balances meeting the funding program requirements for discretionary project design (including scale and aesthetics) for the selected developer.
4. Seek alternatives to funding the replacement parking desired by the city for the site. Requiring the housing financing to fund this additional parking is a significant barrier feasibility, perhaps precluding the housing development. This consultant team is not expert in funding for car parking facilities but here are some possible options:
 - Hire a consultant to assist with a comprehensive study of parking demand and needs and how to address
 - Consider charging for parking in all city lots Downtown
 - Consider charging for street parking in Downtown, or certain areas of Downtown
 - Develop an EID to fund the development of separate parking facilities owned by the City, so that new development is not burdened by this responsibility
 - Bond measure to fund new parking facility downtown. Paid back by parking revenue, incremental tax, etc.
 - It would be appropriate to do a major study of Downtown parking.
5. User for Ground Floor Non-Residential: It is important for the Downtown ambiance that there be active uses for as much of the ground floor street frontage as possible. The city should begin investigation of possible users including:
 - City, county or other government offices
 - Private entities that would like the location

Having a user in place when a developer is solicited would provide a strong asset and attract a wider array of potential developers.
6. Begin the process of identifying local or other resources to provide the “local” funding needed to succeed in being competitive in the funding programs. This should include funding beyond “contribution” of the land and fee reductions.
7. Ensure that the developer selection process give substantial priority to selection of a developer that has robust resident services program property management as much as possible in house by the developer/operator, affordable housing is much less successful when there is inadequate attention given to helping people to achieve a stable and joyful life.

APPENDIX A

TABLE 20.10-2 DEVELOPMENT STANDARDS FOR COMMERCIAL ZONES

	Figure Label	STANDARD BY ZONE						
		C-O	C-N	C-C	C-SC	C-T	C-G	B-P
LOT AND INTENSITY STANDARDS (MINIMUMS)								
Parcel Area		7,500 Sq. Ft.	7,500 Sq. Ft.	7,500 Sq. Ft.	35,000 Sq. Ft.	10,000 Sq. Ft.	10,000 Sq. Ft.	20,000 Sq. Ft.
PRIMARY BUILDING STANDARDS								
Setbacks (Min.)								
Exterior	A	10 ft.	20 ft. [2]	0 ft. [2]	20 ft. [2]	0 ft.	0 ft.	25 ft. [2]
Interior	B	5 ft.	0 ft. [1]	0 ft. [1]	0 ft. [1]	0 ft.	0 ft.	20 ft. [1]
Height (max.) [3]	C							
Feet		40 ft. [3]	35 ft. [3]	60 ft. [3]	35 ft. [3]	40 ft. [3]	40 ft. [3]	40 ft. [3]
OTHER STANDARDS								
Accessory Structure Standards	See Chapter 20.28							
Separation Between Structures	As required by the California Building Code							
Off-Street Parking	See Chapter 20.38							

NOTES

[1] Minimum of 20 feet required when abutting a residential zoning district.

[2] Minimum of 35 feet required when across from a residential zoning district.

[3] Only applies when directly adjacent to residential zones. Exceptions to the height limitations in those cases may be granted by the Site Plan Review Committee.

APPENDIX B

TABLE 20.38-1 OFF-STREET PARKING REQUIREMENTS

RESIDENTIAL LAND USES	
Land Uses	Number of Required Parking Spaces
Caretaker's Home	1 per unit
Duplexes	1 per unit unless the exceptions in MMC 20.08.020 (B)(2) are met.
Group Homes and Facilities	1 per unit plus 1 per 300 sq. ft. of office and other nonresidential areas.
Group Housing	1 per unit
Live/Work Units	1.75 per unit
Mobile Home Parks	1 per unit and 1 per office or employee
Multiple Family Dwellings / Condominiums	1.75 spaces per unit of 2 bedrooms or less up to 30 units and 1.5 spaces per unit there after, plus 0.5 spaces per additional bedroom over 2 in each unit and 1.0 spaces per additional full or partial bathroom over 3 in each unit.
Residential Care Facilities, Small	1 per unit
Residential Care Facilities, Large (Includes Convalescent / Nursing Homes)	1 per 4 beds; plus 1 per 300. sq. ft. of office or 1 per employee, whichever is greater
Accessory Dwelling Units	One or more bedrooms: 1 per unit, unless exceptions in MMC 20.42.030 (H) are met.

APPENDIX C

TABLE 20.10-1 PERMITTED LAND USES IN THE COMMERCIAL ZONING DISTRICTS

KEY	ZONING DISTRICT							
P Permitted Use	C-O	C-N	C-C	C-SC	C-T	C-G	B-P	Additional Regulations
M Minor Use Permit Required								
SP Site Plan Review Permit Required								
C Conditional Use Permit Required								
X Use not allowed								
RESIDENTIAL USES [1]								
Group / Transitional / Supportive Housing	C	C	P	C	C [3]	C [3]	C	
Live / Work Units	C	C	P [2]	X	X	X	C	Sec. 20.44.080
Multiple-Family Dwellings	C	C	P	X	X	X	C	
Residential Care Facilities, Small (6 or Less)	X	X	P [3]	X	X	X	X	
Residential Care Facilities, Large (More than 6 residents)	X	X	P [3]	X	X	X	X	
Single-Room Occupancy	X	X	P [3]	X	X	X	C	Sec. 20.44.120