

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 17, 2019
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Isaac Clark III

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$22,500,000

Project Information:
Name: Bermuda Gardens
Project Address: 1475 167th Avenue
Project City, County, Zip Code: San Leandro, Alameda, 94578

Project Sponsor Information:
Name: Mercy Housing California 83, LP (Mercy Housing CalWest)
Principals: Barbara Gualco, Bruce Saab, Doug Shoemaker, Ed Holder, Erika Villablanca, Jane Graf, Jennifer Dolin, Joe Rosenblum, Melissa Crayton, Rich Ciraulo, Stephan Daves, Steve Spears, Val Agostino, Vince Dodds and Amy Bayley for Mercy Housing CalWest
Property Management Company: Mercy Housing Management Group

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: May 31, 2019
TEFRA Adoption Date: June 14, 2019

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 79
Manager's Units: 1 Restricted
Type: Acquisition and Rehabilitation
Population Served: Family

Bermuda Gardens is a acquisition and rehabilitation project located in San Leandro on a 1.7-acre site. The project consists of 78 restricted rental units and 1 restricted manager unit. The project will have 66 one-bedroom units and 13 two- bedroom units. The building will be (1 story 2 building type of construction). Common amenities include a large community room with kitchen and bathroom, laundry facilities, management offices, outdoor picnic area, tot lot, and pool. Each unit will have carpeting throughout. Kitchens are provided with an electric range, exhaust fan in the ceiling, and refrigerator. There are 73 parking spaces provided. The project will also be pursuing energy efficiency upgrades. The construction is expected to begin November 2019 and be completed in January 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
51% (40 units) restricted to 50% or less of area median income households.
49% (38 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 41,760,686	
Estimated Hard Costs per Unit:	\$ 127,693	(\$10,087,719 /79 units including mgr. unit)
Estimated per Unit Cost:	\$ 528,616	(\$41,760,686 /79 units including mgr. unit)
Allocation per Unit:	\$ 284,810	(\$22,500,000 /79 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 288,462	(\$22,500,000 /78 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 22,500,000	\$ 3,103,900
Citibank Tranche A	\$ 0	\$ 0
Citibank Tranche B	\$ 0	\$ 0
New Alameda County Measure A1 Bond	\$ 0	\$ 6,000,000
General Partner Equity	\$ 0	\$ 3,051,581
Income from Operations	\$ 0	\$ 247,252
Sponsor Loan	\$ 0	\$ 1,500,000
Existing Reserves	\$ 85,696	\$ 85,696
Seller Note	\$ 11,883,313	\$ 11,883,313
LIH Tax Credit Equity	\$ 1,372,203	\$ 0
Alameda County Assumed Loan	\$ 2,324,789	\$ 2,324,789
LIT Tax Credity Equity	\$ 0	\$ 13,564,155
0	\$ 0	\$ 0
0	\$ 0	\$ 0
Total Sources	\$ 38,166,001	\$ 41,760,686
 Uses of Funds:		
Land Cost/Acquisition	\$ 17,569,250	
Rehabilitation	\$ 10,793,860	
Relocation	\$ 1,090,000	
New Construction	\$ 0	
Contractor Overhead & Profit	\$ 706,140	
Architectural Fees	\$ 1,000,000	
Survey and Engineering	\$ 165,000	
Construction Interest and Fees	\$ 1,370,820	
Permanent Financing	\$ 51,039	
Legal Fees	\$ 23,000	
Reserves	\$ 624,648	
Appraisal	\$ 10,000	
Hard Cost Contingency	\$ 2,730,337	
Local Development Impact Fees	\$ 0	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 420,308	
Developer Costs	\$ 5,206,284	
Total Uses	\$ 41,760,686	

Analyst Comments:

This project is considered a high cost per unit project. The acquisition costs for this property have been affected by the Bay

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. Legal information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

88 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$22,500,000 in tax-exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	3
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	88.00