CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 16, 2018

Mulberry Gardens Apartments, located at 655 Howe Avenue in Sacramento, requested and is being recommended for a reservation of $1,060,703 in annual federal tax credits to finance the acquisition and rehabilitation of 125 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Islas Development, LLC and is located in Senate District 6 and Assembly District 8.

Mulberry Gardens Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Campus Gardens Apartments (CA-2003-886). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-19-410

Project Name Mulberry Gardens Apartments
Site Address: 655 Howe Avenue
Sacramento, CA 95825 County: Sacramento
Census Tract: 54.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,060,703	$0
Recommended:	$1,060,703	$0

Applicant Information

Applicant:	Sacramento Affordable Communities LP
Contact:	Peter Lopez-Hodoyan
Address:	1927 Adams Ave, Suite 200 San Diego, CA 92116
Phone:	480-899-3545
Email:	peter@logancapitaladvisors.com

General Partner(s) or Principal Owner(s):	Mulberry Communities, LLC Pacific Housing, Inc.
General Partner Type:	Joint Venture
Parent Company(ies):	Mulberry Communities, LLC Pacific Housing, Inc.
Developer:	Islas Development, LLC
Investor/Consultant:	Citibank, N.A.
Management Agent:	Logan Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	126
No. / % of Low Income Units:	125 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (89 units -71%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	January 31, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital Region
TCAC Project Analyst:	Lucy Vang

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	38	30%
At or Below 60% AMI:	87	70%

Unit Mix

46	1-Bedroom Units
80	2-Bedroom Units
126	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14	1 Bedroom	50%	50%	$751
7	1 Bedroom	60%	60%	$901
25	1 Bedroom	60%	60%	$901
24	2 Bedrooms	50%	50%	$901
21	2 Bedrooms	60%	60%	$1,081
34	2 Bedrooms	60%	60%	$1,081
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,400

TCAC-confirmed Projected Lifetime Rent Benefit: $33,492,360

Project Cost Summary at Application	
Land and Acquisition	$20,296,880
Construction Costs	$0
Rehabilitation Costs	$5,319,450
Construction Contingency	$508,653
Relocation	$126,000
Architectural/Engineering	$85,000
Const. Interest, Perm. Financing	$696,467
Legal Fees, Appraisals	$270,000
Reserves	$428,287
Other Costs	$730,901
Developer Fee	$3,920,881
Commercial Costs	$0
Total	**$32,382,519**

Residential	
Construction Cost Per Square Foot:	$59
Per Unit Cost:	$257,004
True Cash Per Unit Cost*:	$220,221

Construction Financing

Source	Amount
Logan Capital Advisors	$17,200,000
Logan Capital Advisors-Bridge Loan	$7,500,000
Seller Carryback	$3,000,000
Existing reserves	$153,000
Deferred Developer Fee	$3,920,881
Tax Credit Equity	$608,638

Permanent Financing

Source	Amount
Logan Capital Advisors	$17,200,000
Seller Carryback	$3,000,000
Existing reserves	$153,000
Deferred Developer Fee	$1,634,630
Tax Credit Equity	$10,394,889
TOTAL	**$32,382,519**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$7,924,423
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$22,135,665
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$10,301,750
Qualified Basis (Acquisition):	$22,135,665
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$336,867
Maximum Annual Federal Credit, Acquisition:	$723,836
Approved Developer Fee in Project Cost:	$3,920,881
Approved Developer Fee in Eligible Basis:	$3,920,880
Investor/Consultant:	Citibank, N.A.
Federal Tax Credit Factor:	$0.98000

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$30,060,088
Actual Eligible Basis:	$30,060,088
Unadjusted Threshold Basis Limit:	$36,574,268
Total Adjusted Threshold Basis Limit:	$47,546,548

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 30%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.27% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2003-886). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2003-886) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $804,100. In consideration of requirement of the Short Term Work requirement, the seller of the project will give a credit in the amount of at least $804,100. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency

The Local Reviewing Agency, Sacramento Housing & Redevelopment Agency, has completed a site review of this project and hold no position this project.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions: None.