CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2019

Bermuda Gardens, located at 1475 167th Avenue in San Leandro, requested and is being recommended for a reservation of $1,514,623 in annual federal tax credits to finance the acquisition and rehabilitation of 78 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Mercy Housing California and is located in Senate District 10 and Assembly District 20.

Bermuda Gardens is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Bermuda Gardens Apartments (CA-96-917). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 811 Project Rental Assistance.

Project Number CA-19-497

Project Name Bermuda Gardens
Site Address: 1475 167th Avenue
San Leandro, CA 94578 County: Alameda
Census Tract: 4340.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,514,623	$0
Recommended:	$1,514,623	$0

Applicant Information

Applicant:	Mercy Housing California 83, L.P.
Contact:	Clare Murphy
Address:	1256 Market Street San Francisco, CA 94102
Phone:	415-355-7127
Email:	cmurphy@mercyhousing.org

General Partner(s) or Principal Owner(s):	Mercy Housing Calwest
General Partner Type:	Nonprofit
Parent Company(ies):	Mercy Housing California
Developer:	Mercy Housing California
Investor/Consultant:	Community Economics
Management Agent:	Mercy Housing Management Group

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	79
No. / % of Low Income Units:	78 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 811 Rental Assistance (20 units - 36%)

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	November 15, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	East Bay Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	40	51%
60% AMI:	38	49%

Unit Mix

66	1-Bedroom Units
13	2-Bedroom Units
79	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16	1 Bedroom	50%	20%	$436
4	1 Bedroom	50%	30%	$654
9	1 Bedroom	50%	46%	$1,006
8	1 Bedroom	50%	50%	$1,090
25	1 Bedroom	60%	50%	$1,088
4	1 Bedroom	60%	60%	$1,308
3	2 Bedrooms	50%	45%	$1,180
9	2 Bedrooms	60%	51%	$1,343
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$17,569,250
Construction Costs	$0
Rehabilitation Costs	$11,500,000
Construction Hard Cost Contingency	$2,518,000
Soft Cost Contingency	$212,337
Relocation	$1,090,000
Architectural/Engineering	$1,165,000
Const. Interest, Perm. Financing	$1,421,859
Legal Fees	$23,000
Reserves	$624,648
Other Costs	$430,307
Developer Fee	$5,206,284
Commercial Costs	$0
Total	**$41,760,685**

Residential	
Construction Cost Per Square Foot:	$214
Per Unit Cost:	$528,616
True Cash Per Unit Cost*:	$373,467

Construction Financing

Source	Amount
Citibank	$22,500,000
Seller Carryback	$11,883,313
Alameda County (Assumed)	$2,324,789
Existing Reserves	$85,696
Tax Credit Equity	$1,372,203

Permanent Financing

Source	Amount
Citibank Tranche A	$563,700
Citibank Tranche B	$2,540,200
Seller Carryback	$11,883,313
Alameda County Measure A1	$6,000,000
Alameda County (Assumed)	$2,324,789
Developer Loan	$1,500,000
Income from Operations	$247,252
Existing Reserves	$85,696
General Partner Equity	$3,051,581
Tax Credit Equity	$13,564,155
TOTAL	**$41,760,685**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$19,942,742
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$19,972,101
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$25,925,564
Qualified Basis (Acquisition):	$19,972,101
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$855,544
Maximum Annual Federal Credit, Acquisition:	$659,079
Total Maximum Annual Federal Credit:	$1,514,623
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,206,284
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$0.89555

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:	$39,914,843
Actual Eligible Basis:	$39,914,843
Unadjusted Threshold Basis Limit:	$28,602,420
Total Adjusted Threshold Basis Limit:	$48,910,138

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 51%

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 meet or 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 3.30% 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
The per unit development cost is $522,009. The applicant stated that the high per unit cost is attributed to high acquisition values created by the fair market rents related to the rental subsidy, and prevailing wages.

The original 1996 allocation included 80 units. Several years ago one of the units was converted to a management office. The project currently operates with 79 total units, 78 low income and 1 manager unit.

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-96-917). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). 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-96-917) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

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.

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
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.