CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

Bernal Dwellings, located at 3138 Kamille Court in San Francisco, requested and is being recommended for a reservation of $4,021,400 in annual federal tax credits to finance the acquisition and rehabilitation of 159 units of housing serving large families with rents affordable to households earning 50-80% of area median income (AMI). The project will be developed by McCormack Baron Salazar and is located in Senate District 11 and Assembly District 17.

Bernal Dwellings is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Bernal Dwellings Apartments (CA-2003-814). See **Resyndication and Resyndication Transfer Even**t below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD RAD project-based Vouchers.

Project Number	CA-19-531	
Project Name	Bernal Dwellings	
Site Address:	3138 Kamille Court	
	San Francisco, CA 94110	County: San Francisco
Census Tract:	229.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,021,400	$0
Recommended:	$4,021,400	$0

Applicant Information

Applicant:	Bernal Homes, L.P.
Contact:	Pauline UL
Address:	720 Olive Street, Suite 2500 St. Louis, MO 63101
Phone:	415-800-0530
Email:	pauline.ul@mccormackbaron.com

General Partner(s) or Principal Owner(s):	Bernal Homes MBS GP, Inc. San Francisco Housing Development Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	MBA Properties, Inc. San Francisco Housing Development Corporation
Developer:	McCormack Baron Salazar
Investor/Consultant:	Wells Fargo
Management Agent:	McCormack Baron Management, Inc

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	17
Total # of Units:	160
No. / % of Low Income Units:	159 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project Based Vouchers (106 units - 67%) HUD RAD Section 8 Project Based Vouchers (53 units - 33%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	December 13, 2019

Information

Housing Type:	Large Family
Geographic Area:	San Francisco County
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
50% AMI:	35	22%
60% AMI:	120	75%
80% AMI:	4	3%

Average Income Project (70% and/or 80% AMI Units): 59% AMI targeted average or less is required

Unit Mix

3	1-Bedroom Units
85	2-Bedroom Units
70	3-Bedroom Units
2	4-Bedroom Units
160	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	50%	27%	$819
19	2 Bedrooms	50%	28%	$1,032
13	3 Bedrooms	50%	32%	$1,344
2	1 Bedroom	60%	27%	$819
64	2 Bedrooms	60%	28%	$1,032
12	3 Bedrooms	60%	32%	$1,344
1	2 Bedrooms	80%	28%	$1,032
1	3 Bedrooms	50%	50%	$2,095
1	4 Bedrooms	50%	50%	$2,337
41	3 Bedrooms	60%	60%	$2,514
1	4 Bedrooms	60%	60%	$2,805
3	3 Bedrooms	80%	80%	$3,353
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application

Land and Acquisition	$41,070,000
Construction Costs	$0
Rehabilitation Costs	$41,565,519
Construction Hard Cost Contingency	$6,235,000
Soft Cost Contingency	$1,095,800
Relocation	$4,065,000
Architectural/Engineering	$1,644,300
Const. Interest, Perm. Financing	$6,790,618
Legal Fees	$350,000
Reserves	$1,871,100
Other Costs	$3,142,474
Developer Fee	$11,338,645
Commercial Costs	$0
Total	**$119,168,456**

Residential

Construction Cost Per Square Foot:	$245
Per Unit Cost:	$744,803
True Cash Per Unit Cost*:	$480,615

Construction Financing

Source	Amount
Chase	$62,000,000
Seller Carryback Loan	$41,070,000
GP Contribution	$7,338,645
GP Equity	$220
Tax Credit Equity	$4,606,591

Permanent Financing

Source	Amount
CalHFA	$21,631,782
CalHFA Subordinate Loan	$3,500,000
MOHCD Subordinate Debt	$2,779,061
SFHA Subordinate Debt	$1,434,748
Seller Carryback Loan	$41,070,000
Deferred Developer Fee	$1,200,000
GP Contribution	$7,338,645
GP Equity	$220
Tax Credit Equity	$40,214,000
TOTAL	**$119,168,456**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$66,992,795
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$38,200,454
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$87,090,633
Qualified Basis (Acquisition):	$38,200,454
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$2,760,785
Maximum Annual Federal Credit, Acquisition:	$1,260,615
Total Maximum Annual Federal Credit:	$4,021,400
Approved Developer Fee (in Project Cost & Eligible Basis):	$11,338,645
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	$1.00000

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:	$105,193,249
Actual Eligible Basis:	$105,193,249
Unadjusted Threshold Basis Limit:	$103,213,010
Total Adjusted Threshold Basis Limit:	$146,562,474

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: 22%

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

Development costs are roughly $744,803 per unit. The factors affecting this cost includes high real estate costs for the area, prevailing wage requirements, and HUD and City requirements.

Resyndication and Resyndication Transfer Event
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-2003-814) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

This project is a resyndication of CA-2003-814 with 156 low income units, 1 manager's unit, and 4 market rate units. At resyndication, the 66 low income units will continue to be held to the original income targeting restrictions and 4 market rate units will become restricted affordable units at 80% AMI. The project's average targeting cannot exceed 59% AMI. Any units not identified as low income units in the original regulatory agreement will not be grandfathered, and must be income qualified when the project places in service.

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2003-814). 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.

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

The project is being resyndicated concurrently with a Transfer Event without distribution of Net Project Equity, thus waived from 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.