

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
February 18, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Chee Thao Yang

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$58,970,000

Project Information:

Name: Foon Lok West
Project Address: 311 9th Avenue
Project City, County, Zip Code: Oakland, Alameda, 94606

Project Sponsor Information:

Name: Brooklyn Basin Associates III, LP (MP Brooklyn Basin III, LLC)
Principals: Matthew O. Franklin, Mick Vergura, Janie Lind, Jan M. Lindenthal, Marvin Williams and Ann Goggins Gregory
Property Management Company: MidPen Property Management Company

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Wells Fargo Bank, 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: November 15, 2019
TEFRA Adoption Date: December 10, 2019

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 130
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

Foon Lok West Apartments is a new construction project located in Oakland on a 1.16-acre site. The project consists of 129 restricted rental units and 1 unrestricted managers' units. The project will have 48 one-bedroom units, 35 two-bedroom units and 47 three-bedroom units. The building will be (# of stories and type of construction). Common amenities include a community room, community lounge spaces, a lobby space, a mail area, management offices, resident services offices, a learning center, a computer room, a laundry room and a courtyard. Each unit will have window blinds, carpet, coat closets, refrigerator, dishwasher, garbage disposal and oven. There are 167 parking spaces provided. The project will be pursuing LEED certification. Green features include solar thermal and photovoltaic panels and a photovoltaic system installed on the roof. The construction is expected to begin in May 2020 and be completed in June 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

69% (89 units) restricted to 50% or less of area median income households.

31% (40 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|-----------------------------------------------|----|-------------|------------------------------------------------|
| Estimated Total Development Cost: | \$ | 108,705,279 | |
| Estimated Hard Costs per Unit: | \$ | 516,749 | (\$67,177,362 /130 units including mgr. unit) |
| Estimated per Unit Cost: | \$ | 836,194 | (\$108,705,279 /130 units including mgr. unit) |
| Allocation per Unit: | \$ | 453,615 | (\$58,970,000 /130 units including mgr. unit) |
| Allocation per Restricted Rental Unit: | \$ | 457,132 | (\$58,970,000 /129 restricted units) |

| Sources of Funds: | Construction | Permanent |
|------------------------------------------|----------------|----------------|
| Tax-Exempt Bond Proceeds | \$ 58,970,000 | \$ 3,226,000 |
| Tranche B Financing | \$ 0 | \$ 14,908,000 |
| Taxable Bond Proceeds | \$ 7,470,338 | \$ 0 |
| LIH Tax Credit Equity | \$ 4,958,117 | \$ 51,007,670 |
| HCD No Place Like Home | \$ 0 | \$ 5,500,000 |
| Deferred Developer Fee | \$ 10,288,552 | \$ 10,288,552 |
| Deferred Costs | \$ 3,293,215 | \$ 0 |
| GP Equity | \$ 100 | \$ 100 |
| Accrued/Deferred Interest County A1 Loan | \$ 344,957 | \$ 344,957 |
| Alameda County Regional A1 | \$ 9,648,000 | \$ 9,698,000 |
| City of Oakland Development Loan | \$ 12,442,000 | \$ 12,442,000 |
| FHLB SF - AHP | \$ 1,290,000 | \$ 1,290,000 |
| Total Sources | \$ 108,705,279 | \$ 108,705,279 |

| Uses of Funds: | |
|---------------------------------------------------|----------------|
| Land Cost/Acquisition | \$ 277,060 |
| New Construction | \$ 72,063,608 |
| Contractor Overhead & Profit | \$ 2,308,814 |
| Architectural Fees | \$ 1,842,240 |
| Survey and Engineering | \$ 714,800 |
| Construction Interest and Fees | \$ 7,073,010 |
| Permanent Financing | \$ 369,576 |
| Legal Fees | \$ 118,000 |
| Reserves | \$ 1,815,453 |
| Appraisal | \$ 8,250 |
| Hard Cost Contingency | \$ 3,729,974 |
| Local Development Impact Fees | \$ 750,000 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 5,353,981 |
| Developer Costs | \$ 12,280,513 |
| Total Uses | \$ 108,705,279 |

Analyst Comments:

This project is considered a high cost per unit project. The Project Sponsor cites the San Francisco location of the project as the first factor in the high cost. The second factor is that they are required by the City of Oakland to have a minimum parking ratio which leads to a 2-story concrete podium for the garage. Adding a second level of concrete structure added to the cost of the project. The third factor is the site's soil conditions near the Oakland Estuary which consists of young bay mud. The geotechnical requirements call for driving piles that can extend over 90 feet deep to create a stable foundation. The fourth factor is that there is a requirement that a vapor barrier membrane system be installed under the foundation to mitigate potential vapor conditions. Lastly, the project is subject to State prevailing wages, Federal Davis-Bacon wages, a Union Project Labor Agreement required by Alameda County, and City of Oakland's local hire requirements which require that at least 25% of subcontractors be local business and an additional 25% be local business. The Project Sponsor lists all the above requirements to drive up the overall costs of the project.

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

129 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$58,970,000 in tax-exempt bond allocation pending approval of the over \$50 Million Bond Request Waiver.

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 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 35 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 10 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 5 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 5 |
| Site Amenities | 10 | 10 | 10 |
| Service Amenities | 10 | 10 | 10 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 10 |
| Forgone Eligible Developer Fee (Competitive Allocation Process Only) | 10 | 10 | 9 |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | 10 |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 145 | 125 | 129 |