

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 9, 2020
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Norma Velarde

Applicant:	California Municipal Finance Authority
-------------------	--

Allocation Amount Requested:	Tax-exempt: \$61,088,106
-------------------------------------	--------------------------

Project Information:	Name: Midway Village Phase I Project Address: 45 Midway Drive; 47 Midway Drive Project City, County, Zip Code: Daly City, San Mateo, 94014
-----------------------------	---

Project Sponsor Information:	Name: MP Midway Associates I, LP (MP Midway I, LLC) Principals: Matthew O. Franklin, Assistant Secretary/President & CEO; Mick Vergura, Chief Financial Officer; Janine Lind, Assistant Secretary/COO; Jan M. Lindenthal, Assistant Secretary/Chief Real Estate Development Officer Property Management Company: MidPen Property Management Corporation
-------------------------------------	--

Project Financing Information:	Bond Counsel: Jones Hall, A Professional Law Corporation Private Placement Purchaser: Bank of America, N.A. Cash Flow Permanent Bond: Not Applicable Public Sale: Not Applicable Underwriter: Not Applicable Credit Enhancement Provider: Not Applicable Rating: Not Applicable
---------------------------------------	--

Description of Proposed Project:	State Ceiling Pool: New Construction Pool Total Number of Units: 147 Manager's Units: 2 Unrestricted Type: New Construction Population Served: Family
---	--

Midway Village Phase I Apartments is a new construction project located in Daly City on a 3.77 -acre site. The project consists of 106 restricted rental units, 39 market rate units and 2 unrestricted managers' units. The project will have 29 studio units, 24 one-bedroom units, 54 two- bedroom units, 30 three-bedroom units and 8 four-bedroom units. The buildings will consist of two total; one building with 77 units that is partially four levels of Type V wood frame and partially four levels of Type I podium and one building with 70 units that is four levels of Type V wood frame construction. Common amenities include large community room, management offices, garage parking and resident computer lounge. There are 185 parking spaces provided. The project will be pursuing GreenPoint rating standards. Green features include a rooftop solar plan, landscape comprising drought-tolerant and non-invasive planting, wall and floor insulation and energy efficient appliances and lighting. The construction is expected to begin May 2021 and be completed in May 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 73%
54% (79 units) restricted to 50% or less of area median income households.
19% (27 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedro

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: \$ 145,821,024
Estimated Hard Costs per Unit: \$ 411,689 (\$60,518,234 /147 units including mgr. units)
Estimated per Unit Cost: \$ 991,980 (\$145,821,024 /147 units including mgr. units)
Allocation per Unit: \$ 415,565 (\$61,088,106 /147 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 576,303 (\$61,088,106 /106 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 61,088,106	\$ 50,022,000
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 0
Taxable Bond Proceeds	\$ 35,798,169	\$ 0
LIH Tax Credit Equity	\$ 4,511,405	\$ 46,441,555
Developer Equity	\$ 0	\$ 0
Deferred Developer Fee	\$ 10,755,839	\$ 10,755,839
Deferred Costs	\$ 0	\$ 0
Seller Carryback Loan	\$ 0	\$ 0
Itemized Public Funds Sources	\$ 0	\$ 0
Net Income From Operations	\$ 0	\$ 0
San Mateo County Affordable Housing Fund 6.0	\$ 482,842	\$ 482,842
San Mateo County Affordable Housing Fund 8.0	\$ 436,000	\$ 436,000
Authority of the County of San Mateo (HACSM) Fund	\$ 11,821,353	\$ 25,200,000
Total Sources	\$ 124,893,714	\$ 133,338,236

Uses of Funds:	
Land Cost/Acquisition	\$ 25,633,315
Relocation	\$ 190,000
New Construction	\$ 82,460,462
Contractor Overhead & Profit	\$ 2,159,196
Architectural Fees	\$ 3,100,000
Survey and Engineering	\$ 510,000
Construction Interest and Fees	\$ 7,017,185
Permanent Financing	\$ 286,110
Legal Fees	\$ 170,500
Reserves	\$ 929,922
Appraisal	\$ 11,250
Hard Cost Contingency	\$ 5,300,834
Local Development Impact Fees	\$ 1,315,671
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,030,740
Developer Costs	\$ 13,705,839
Total Uses	\$ 145,821,024

Analyst Comments:

The project is considered a high cost per unit project due to its location in the San Francisco Bay Area. The project budget in the application includes the value of the donated land, being provided by the Housing Authority of San Mateo County as a 99 year ground lease for \$1 per year. The land value is appraised at \$25.2 million, and including this in the budget (which is required by TCAC and also for purposes of using this donation for leverage points), increases the total cost per unit by \$171,429. This Community Revitalization project is a part of a master plan neighborhood development that involves new infrastructure, raising the project's site costs budget by \$485,000. New streets are planned for the site's northern and western edges. Since the majority of the site is now an open field within a park, the new buildings are subject to restrictive storm water retention requirements that add approximately \$500,000 to the site costs. Additionally, the site has a history of soil contamination and is regulated by the DTSC. Both Phase 1 buildings will be required to include a vapor mitigation system below habitable space, adding approximately \$325,730 to the project budget. In addition, this is a family project with large units, which increases projects costs and the cost per unit. The project has a high proportion of larger units, including 56 2 bedrooms (38% of total units), and 38 3 and 4 bedroom units (25% of total units). These large units are rare and important affordable housing resource, but their size increases the per-unit cost of the development. Due to site constraints, the project will also have a wrapped structured parking garage shared between two phases. The actual parking ratio for the project is reasonable at 1.26 spaces per unit, each parking space will cost approximately \$45,000 to construct. The project is also subject to Federal Davis-Bacon wages, which drives up the overall costs of the project by approximately 20%.

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:

130 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$61,088,106 in tax-exempt bond allocation on a carryforward basis.

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]	10.00
Large Family Units	5	5	5.00
Gross Rents	5	5	5.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	5.00
Site Amenities	10	10	10.00
Service Amenities	10	10	10.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	10.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10.00
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10.00
Negative Points (No Maximum)	-10	-10	0.00
Total Points	145	125	130.00