

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 First Round

June 13, 2018

Brooklyn Basin Family Housing Project 1, located at 101 10th Avenue in Oakland, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 40 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 9 and Assembly District 18.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-061

Project Name Brooklyn Basin Family Housing Project 1_9%

Site Address: 101 10th Avenue
Oakland, CA 94606 County: Alameda

Census Tract: 4060.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

Applicant Information

Applicant: Brooklyn Basin Associates I, L.P.
Contact: Jan M. Lindenthal
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-356-2919
Email: jlindenthal@midpen-housing.org

General Partner(s) / Principal Owner(s):	MP Brooklyn Basin I LLC
General Partner Type:	Nonprofit
Parent Company(ies):	MidPen Housing Corporation
Developer:	MidPen Housing Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent(s):	MidPen Property Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 41
 No. & % of Tax Credit Units: 40 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project Based Vouchers (3 units - 7.31%)

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: East Bay Region
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 5	10%
At or Below 40% AMI: 10	25%
At or Below 50% AMI: 19	40%
At or Below 60% AMI: 6	15%

Unit Mix

12	1-Bedroom Units
9	2-Bedroom Units
20	3-BedroomUnits
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41	Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$587
1 2 Bedrooms	30%	30%	\$704
2 3 Bedrooms	30%	30%	\$813
2 1 Bedroom	40%	40%	\$783
2 2 Bedrooms	40%	40%	\$939
1 2 Bedrooms	40%	40%	\$939
4 3 Bedrooms	40%	40%	\$1,085
1 3 Bedrooms	40%	40%	\$1,085
6 1 Bedroom	50%	50%	\$978
2 2 Bedrooms	50%	50%	\$1,173
11 3 Bedrooms	50%	50%	\$1,356
2 1 Bedroom	60%	60%	\$1,174
1 2 Bedrooms	60%	60%	\$1,408
1 2 Bedrooms	60%	60%	\$1,408
2 3 Bedrooms	60%	60%	\$1,627
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$70,368,540

Project Cost Summary at Application

Land and Acquisition	\$3,240,061
Construction Costs	\$18,901,973
Rehabilitation Costs	\$0
Construction Contingency	\$969,360
Relocation	\$0
Architectural/Engineering	\$844,249
Const. Interest, Perm. Financing	\$1,969,480
Legal Fees, Appraisals	\$116,932
Reserves	\$119,953
Other Costs	\$1,267,435
Developer Fee	\$448,606
Commercial Costs	\$0
Total	\$27,878,049

Residential

Construction Cost Per Square Foot:	\$375
Per Unit Cost:	\$679,952
True Cash Per Unit Cost*:	\$679,952

Construction Financing

Source	Amount
Wells Fargo Bank	\$22,148,058
City of Oakland - Ground Lease	\$3,075,000
Deferred Costs	\$471,942
Tax Credit Equity	\$2,183,049

Permanent Financing

Source	Amount
Tranche A	\$1,477,000
Tranche B	\$713,000
City of Oakland - Ground Lease	\$3,075,000
Tax Credit Equity	\$22,613,049
TOTAL	\$27,878,049

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,367,521
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,777
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$448,606
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.90452

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$21,367,521
Actual Eligible Basis:	\$23,806,545
Unadjusted Threshold Basis Limit:	\$15,467,068
Total Adjusted Threshold Basis Limit:	\$21,381,312

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

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First: **Large Family**
Final: **61.553%**

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.25%. 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 estimated cost of the project is \$679,952 per unit. This relatively high cost is due in part to the high cost of construction in Oakland which has been experiencing an escalation of construction costs. In addition, the project will utilize a foundation system using driven piles as part of soil improvement. These are relatively deep piles due to the young bay mud soil conditions of the site. Furthermore, the developer will need to provide a passive vapor mitigation system as part of the Remediation Action Plan. Lastly, due to the site's proximity from the highway our ventilation system will utilize high standard MERV-13 air filters to improve

This 101 unit application was submitted as a hybrid application serving large families. The project is comprised of a 9% component (CA-18-061) consisting of 41 units and a 4% component (CA-18-735) consisting of 60 units. All units in the project will have access to a community room, fitness room, afterschool program center, computer room and access to public transportation.

Resyndication and Resyndication Transfer Event: None

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 minutes in rush hours	5	5	5
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
MetWest High School	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.