CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project HYBRID
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 $1,611,400 in annual federal tax credits to finance the new construction of 60 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-18-735	
Project Name	Brooklyn Basin Family Housing Project 1_4%	
Site Address:	101 10th Avenue	
	Oakland, CA 94606	County: Alameda
Census Tract:	4060.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,611,400	$0
Recommended:	$1,611,400	$0

Applicant Information

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

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	60
No. / % of Low Income Units:	60 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	December 1, 2018

Information

Housing Type:	Large Family
Geographic Area:	East Bay Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 30% AMI:	5	8%
At or Below 40% AMI:	10	17%
At or Below 50% AMI:	21	35%
At or Below 60% AMI:	24	40%

Unit Mix

24	1-Bedroom Units
6	2-Bedroom Units
30	3-Bedroom Units
60	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	30%	30%	$587
1	2 Bedrooms	30%	30%	$704
3	3 Bedrooms	30%	30%	$813
3	1 Bedroom	40%	40%	$783
1	1 Bedroom	40%	40%	$783
1	2 Bedrooms	40%	40%	$939
1	3 Bedrooms	40%	40%	$1,085
4	3 Bedrooms	40%	40%	$1,085
1	1 Bedroom	50%	50%	$978
7	1 Bedroom	50%	50%	$978
3	2 Bedrooms	50%	50%	$1,173
10	3 Bedrooms	50%	50%	$1,356
5	1 Bedroom	60%	60%	$1,174
6	1 Bedroom	60%	60%	$1,174
1	2 Bedrooms	60%	60%	$1,408
5	3 Bedrooms	60%	60%	$1,627
7	3 Bedrooms	60%	60%	$1,627

TCAC-confirmed Projected Lifetime Rent Benefit: $101,718,540

Project Cost Summary at Application	
Land and Acquisition	$4,732,964
Construction Costs	$26,749,389
Rehabilitation Costs	$0
Construction Contingency	$1,360,124
Relocation	$0
Architectural/Engineering	$1,194,751
Const. Interest, Perm. Financing	$2,572,558
Legal Fees, Appraisals	$140,568
Reserves	$369,939
Other Costs	$1,806,078
Developer Fee	$4,944,311
Commercial Costs	$0
Total	**$43,870,682**

Residential

Construction Cost Per Square Foot:	$402
Per Unit Cost:	$731,178
True Cash Per Unit Cost*:	$673,804

Construction Financing

Source	Amount
Wells Fargo Bank	$27,540,000
City of Oakland - Ground Lease	$4,500,000
City of Oakland Development Loan	$5,350,000
City of Oakland Environmental Grant	$290,250
Deferred Costs	$1,372,422
Deferred Developer Fee	$3,442,457
Tax Credit Equity	$1,375,553

Permanent Financing

Source	Amount
Tranche A	$3,424,000
Tranche B	$12,001,000
City of Oakland - Ground Lease	$4,500,000
City of Oakland Development Loan	$5,350,000
City of Oakland Environmental Grant	$290,250
Deferred Developer Fee	$3,442,457
Tax Credit Equity	$14,862,975
TOTAL	**$43,870,682**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$37,906,386
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$49,278,302
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	$1,611,400
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,944,311
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.92236

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:	$37,906,386
Actual Eligible Basis:	$37,906,386
Unadjusted Threshold Basis Limit:	$25,975,584
Total Adjusted Threshold Basis Limit:	$53,261,093

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

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%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 16%

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 3.27% 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 estimated cost of the project is $731,178 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 indoor air quality.

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.

Both projects will be managed by an onsite property manager located in 9% component and share a community room, fitness room, afterschool program center, computer room and access to public transportation. Prior to the start of construction, all necessary agreements shall be in place to ensure that the 4% component has sufficient property management and access to the required community spaces. The Joint Use Agreement shall be provided in the placed in service submission.

The application must score maximum points in the lowest income category independently or in combination with the 9% project.

The applicant/owner is required to provide the tenants with a service coordinator, minimum ratio of 1FTE to 600 bedrooms and adult education, health and wellness, or skill building classes, minimum of 60 hours per year free of charge for a minimum of fifteen (15) years. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and TCAC.

The applicant/owner is required to become certified under LEED and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted.

The developer shall defer or contribute as equity to the project any amount of combined 4% and 9% developer fees in cost that are in excess of the limit pursuant to Section 10327(c)(2)(A) plus $10,000 per unit for each Tax Credit Unit in excess of 100, using (a) the combined Tax Credit Units of the 9% and 4% components, (b) the combined eligible basis of the 9% and 4% components, and (c) the high-cost test factor calculated using the eligible basis and threshold basis limits for the 9% component.

Resyndication and Resyndication Transfer Event: None.

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

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under Leadership in Energy & Environmental Design (LEED)