

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Brooklyn Basin Senior Housing Project 2, located at 280 8th Avenue in Oakland, requested and is being recommended for a reservation of \$2,701,796 in annual federal tax credits to finance the new construction of 109 units of housing serving seniors with rents affordable to households earning 50-60% 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-18-631

Project Name Brooklyn Basin Senior Housing Project 2
Site Address: 280 8th Avenue
Oakland, CA 94606 County: Alameda
Census Tract: 4060.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,701,796	\$0
Recommended:	\$2,701,796	\$0

Applicant Information

Applicant: Brooklyn Basin Associates II, 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 II 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: 110
No. / % of Low Income Units: 109 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (82 units - 75%)

Bond Information

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

Information

Housing Type: Seniors
 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 50% AMI: 76	70%
At or Below 60% AMI: 33	30%

Unit Mix

106 1-Bedroom Units
4 2-Bedroom Units
<u>110 Total Units</u>

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 1 Bedroom	50%	30%	\$654
1 2 Bedrooms	50%	30%	\$784
22 1 Bedroom	50%	40%	\$872
43 1 Bedroom	50%	50%	\$1,090
2 2 Bedrooms	60%	50%	\$1,307
31 1 Bedroom	60%	60%	\$1,308
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$151,517,520

Project Cost Summary at Application

Land and Acquisition	\$138,832
Construction Costs	\$45,887,938
Rehabilitation Costs	\$0
Construction Contingency	\$2,298,838
Relocation	\$0
Architectural/Engineering	\$1,822,883
Const. Interest, Perm. Financing	\$5,506,423
Legal Fees, Appraisals	\$107,500
Reserves	\$500,566
Other Costs	\$2,654,168
Developer Fee	\$8,290,007
Commercial Costs	\$0
Total	\$67,207,155

Residential

Construction Cost Per Square Foot:	\$562
Per Unit Cost:	\$610,974
True Cash Per Unit Cost*:	\$559,155

Construction Financing

Source	Amount
Wells Fargo	\$42,823,442
City of Oakland - Ground Lease	\$1
City of Oakland	\$12,320,000
City of Oakland - Grant	\$290,250
AHP	\$1,090,000
Deferred Costs	\$2,256,166
Deferred Developer Fee	\$5,700,007
Tax Credit Equity	\$2,727,289

Permanent Financing

Source	Amount
Wells Fargo - Tranche A	\$7,087,000
Wells Fargo - Tranche B	\$12,412,000
City of Oakland - Ground Lease	\$1
City of Oakland	\$12,320,000
City of Oakland - Grant	\$290,250
AHP	\$1,090,000
Deferred Developer Fee	\$5,700,007
Tax Credit Equity	\$28,307,897
TOTAL	\$67,207,155

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$63,556,723
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$82,623,740
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$2,701,796
Approved Developer Fee (in Project Cost & Eligible Basis):	\$8,290,007
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.04774

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:	\$63,556,723
Actual Eligible Basis:	\$63,556,723
Unadjusted Threshold Basis Limit:	\$37,117,096
Total Adjusted Threshold Basis Limit:	\$76,531,218

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: 69%

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

This is the second phase of this master development. Brooklyn Basin Family Housing Project was the first phase of this master development.

Development costs are roughly \$559,155 per unit. The factors affecting this cost includes high real estate costs for the area, high costs for an infill site located near several popular amenities, as well as providing two story podium parking.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency

The Local Reviewing Agency, The City of Oakland, has completed a site review of this project and strongly supports this project.

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 will exceed 2016 Title 24 Standards for New Construction / Adaptive Reuse by 7% / 12% of the California Building Code