

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**January 15, 2020**

Foon Lok West, located at 311 9th Avenue in Oakland, requested and is being recommended for a reservation of \$4,348,775 in annual federal tax credits and \$8,369,228 in total state tax credits to finance the to finance the new construction of 129 units of housing serving large families with rents affordable to households earning 20-60% 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. The project financing includes state funding from the NPLH program of HCD.

**Project Number** CA-20-410

**Project Name** Foon Lok West  
**Site Address:** 311 9th Avenue  
Oakland, CA 94606 County: Alameda  
**Census Tract:** 4060.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$4,348,775	\$8,369,228
Recommended:	\$4,348,775	\$8,369,228

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

**Applicant:** MP Brooklyn Basin III, LLC  
**Contact:** Jan M. Lindenthal  
**Address:** 303 Vintage Park Drive, Suite 250  
Foster City, CA 94404  
**Phone:** 650-356-2900  
**Email:** jlindenthal@midpen-housing.org

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

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 130  
 No. / % of Low Income Units: 129 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (65 units - 50%)  
 AHP

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: June 1, 2020

**Information**

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>
20% AMI: 26	20%
30% AMI: 26	20%
50% AMI: 37	29%
60% AMI: 40	31%

**Unit Mix**

48 1-Bedroom Units  
 35 2-Bedroom Units  
47 3-Bedroom Units  
 130 Total Units

<u>Unit Type &amp; Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
26 1 Bedroom	20%	20%	\$464
5 1 Bedroom	30%	30%	\$697
11 2 Bedrooms	30%	30%	\$837
10 3 Bedrooms	30%	30%	\$966
8 1 Bedroom	50%	50%	\$1,162
11 2 Bedrooms	50%	50%	\$1,395
18 3 Bedrooms	50%	50%	\$1,611
9 1 Bedroom	60%	60%	\$1,395
12 2 Bedrooms	60%	60%	\$1,674
19 3 Bedrooms	60%	60%	\$1,933
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$277,060
Construction Costs	\$74,372,422
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,729,974
Soft Cost Contingency	\$734,816
Relocation	\$0
Architectural/Engineering	\$2,557,040
Const. Interest, Perm. Financing	\$7,442,586
Legal Fees	\$118,000
Reserves	\$1,815,453
Other Costs	\$5,377,415
Developer Fee	\$12,280,513
Commercial Costs	\$0
<b>Total</b>	<b>\$108,705,279</b>

**Residential**

Construction Cost Per Square Foot:	\$432
Per Unit Cost:	\$836,194
True Cash Per Unit Cost*:	\$757,052

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Wells Fargo Tax-Exempt Loan	\$58,970,000
Wells Fargo Taxable Loan	\$7,470,338
Alameda County Regional A1	\$9,648,000
Alameda County Deferred Interest	\$344,957
City of Oakland	\$12,442,000
AHP	\$1,290,000
Deferred Costs	\$3,293,215
Deferred Developer Fee	\$10,288,552
GP Equity	\$100
Tax Credit Equity	\$4,958,117

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
CCRC - Tranche A	\$3,226,000
CCRC - Tranche B	\$14,908,000
Alameda County Regional A1	\$9,698,000
Alameda County Deferred Interest	\$344,957
City of Oakland	\$12,442,000
AHP	\$1,290,000
HCD - NPLH <sup>1</sup>	\$5,500,000
Deferred Developer Fee	\$10,288,552
GP Equity	\$100
Tax Credit Equity	\$51,007,670
<b>TOTAL</b>	<b>\$108,705,279</b>

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

<sup>1</sup> No Place Like Home

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$103,247,278
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$134,221,462
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$4,348,775
Total State Credit:	\$8,369,228
Approved Developer Fee (in Project Cost & Eligible Basis):	\$12,280,513
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$1.00986
State Tax Credit Factor:	\$0.84728

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:	\$103,247,278
Actual Eligible Basis:	\$103,247,278
Unadjusted Threshold Basis Limit:	\$57,003,744
Total Adjusted Threshold Basis Limit:	\$140,409,173

**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: 28%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 80%

**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 meet or 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 3.24% 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**

Development costs are roughly \$836,194 per unit. The factors affecting this cost includes high real estate costs for the area, high costs for an infill site located close to several popular amenities, as well as two levels of subterranean parking.

**Resyndication and Resyndication Transfer Event:** None

**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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.