

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 9, 2020**

Midway Village Phase 1, located at 45 & 47 Midway Drive in Daly City, requested and is being recommended for a reservation of \$4,853,512 in annual federal tax credits to finance the new construction of 145 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 11 and Assembly District 19.

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

**Project Number** CA-20-668

**Project Name** Midway Village Phase 1  
**Site Address:** 45 and 47 Midway Drive  
 Daly City, CA 94014 County: San Mateo  
**Census Tract:** 6002.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$4,853,512	\$0
Recommended:	\$4,853,512	\$0

**Applicant Information**

**Applicant:** MP Midway Associates I, L.P.  
**Contact:** Jan M. Lindenthal  
**Address:** 303 Vintage Drive Suite 250  
 Foster City, CA 94404  
**Phone:** (650) 339-6140  
**Email:** jlindenthal@midpen-housing.org

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

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 2  
**Total # of Units:** 147  
**No. / % of Low Income Units:** 145 100.00%  
**Federal Set-Aside Elected:** 40%/60% Average Income  
**Federal Subsidy:** Tax-Exempt / HUD Section 8 Project-based Vouchers (60 units - 41%)

**Bond Information**

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

**Information**

Housing Type: Large Family  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Jonghyun(Tommy), Shim

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 15	10%
50% AMI: 64	44%
60% AMI: 27	19%
80% AMI: 39	27%

**Unit Mix**

29 SRO/Studio Units
24 1-Bedroom Units
56 2-Bedroom Units
30 3-Bedroom Units
8 4-Bedroom Units
<u>147 Total Units</u>

<u>Unit Type &amp; Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
15 SRO/Studio	30%	28%	\$847
5 SRO/Studio	50%	46%	\$1,411
16 1 Bedroom	50%	46%	\$1,511
32 2 Bedrooms	50%	46%	\$1,813
5 3 Bedrooms	50%	46%	\$2,095
6 4 Bedrooms	50%	46%	\$2,337
9 SRO/Studio	60%	56%	\$1,693
2 1 Bedroom	60%	56%	\$1,813
15 3 Bedrooms	60%	56%	\$2,514
1 4 Bedrooms	60%	56%	\$2,804
6 1 Bedroom	80%	65%	\$2,115
22 2 Bedrooms	80%	65%	\$2,538
10 3 Bedrooms	80%	63%	\$2,847
1 4 Bedrooms	80%	56%	\$2,804
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$433,315
Construction Costs	\$84,619,658
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$4,428,855
Soft Cost Contingency	\$871,979
Relocation	\$190,000
Architectural/Engineering	\$3,610,000
Const. Interest, Perm. Financing	\$7,303,295
Legal Fees	\$170,500
Reserves	\$929,922
Other Costs	\$4,357,661
Developer Fee	\$13,705,839
Commercial Costs	\$0
<b>Total</b>	<b>\$120,621,024</b>

**Residential**

Construction Cost Per Square Foot:	\$674
Per Unit Cost:	\$820,551
True Cash Per Unit Cost*:	\$747,382

**Construction Financing**

Source	Amount
Bank of America - Tax-Exempt	\$61,088,106
Bank of America - Taxable	\$35,798,169
San Mateo County AHF 6.0	\$482,842
San Mateo County AHF 8.0	\$436,000
HACSM Fund	\$11,821,353
Accrued Interest on soft loans	\$661,435
Limited Partner LIHTC Equity	\$4,511,406

**Permanent Financing**

Source	Amount
Bank of America - Tax-Exempt	\$50,022,000
San Mateo County AHF 6.0	\$482,842
San Mateo County AHF 8.0	\$436,000
HACSM Fund	\$11,821,353
Accrued Interest on soft loans	\$661,435
Deferred Developer Fee	\$10,755,839
Tax Credit Equity	\$46,441,555
<b>TOTAL</b>	<b>\$120,621,024</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$115,230,576
130% High Cost Adjustment:	Yes
Requested Eligible Basis:	\$0
Applicable Fraction:	100.00%
Qualified Basis:	\$149,799,749
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$4,853,512
Approved Developer Fee (in Project Cost & Eligible Basis):	\$13,705,839
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.95686

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:	\$115,230,576
Actual Eligible Basis:	\$115,230,576
Unadjusted Threshold Basis Limit:	\$69,642,945
Total Adjusted Threshold Basis Limit:	\$141,297,991

**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: 44%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 20%

**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**

The estimated cost of the project is \$991,980 per unit. This cost is due in part to it's location in the Bay Area. In addition, this project is a part of a master planned neighborhood development that involves new infrastructure, including parking, restrictive storm water retention requirements and prevailing wages. Lastly, the buildings will be required to include a vapor mitigation system below habitable space.

**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.