

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2021 Second Round**

**October 20, 2021**

Bay Oaks Apartments, located at 2400 Gloria Way in East Palo Alto, requested and is being recommended for a reservation of \$1,210,654 in annual federal tax credits to finance the acquisition and rehabilitation of 37 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by MidPen Housing Corporation and is located in Senate District 13 and Assembly District 24.

Bay Oaks Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Bay Oaks (CA-95-054). See **Resyndication and Resyndication Transfer Event** below for additional information.

**Project Number** CA-21-150

**Project Name** Bay Oaks Apartments  
**Site Address:** 2400 Gloria Way  
East Palo Alto CA, 94303 County: San Mateo  
**Census Tract:** 6118.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,210,654	\$0
Recommended:	\$1,210,654	\$0

**Applicant Information**

**Applicant:** MP Bay Road Associates, L.P.  
**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) / Principal Owner(s):** MP Bay Road LLC  
Bay Oaks CANDO, LLC

**General Partner Type:** Nonprofit  
**Parent Company(ies):** Mid-Peninsula Half Moon Bay, Inc.  
EPACANDO, Inc.

**Developer:** MidPen Housing Corporation  
**Investor/Consultant:** California Housing Partnership Corporation  
**Management Agent(s):** MidPen Property Management

**Project Information**

**Construction Type:** Acquisition & Rehabilitation  
**Total # Residential Buildings:** 5  
**Total # of Units:** 38  
**No. & % of Tax Credit Units:** 37 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** HOME / CDBG

**Information**

Set-Aside: N/A  
Housing Type: Large Family  
Geographic Area: South and West Bay Region  
TCAC Project Analyst: Sopida Steinwert

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI: 5	10%
At or Below 35% AMI: 6	15%
At or Below 50% AMI: 26	40%

**Unit Mix**

20 2-Bedroom Units
10 3-Bedroom Units
8 4-Bedroom Units
<b>38 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2021 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
2 2 Bedrooms	30%	\$1,022
2 3 Bedrooms	30%	\$1,326
1 4 Bedrooms	30%	\$1,257
4 2 Bedrooms	35%	\$1,072
1 3 Bedrooms	35%	\$1,201
1 4 Bedrooms	35%	\$1,329
6 2 Bedrooms	50%	\$1,072
3 3 Bedrooms	50%	\$1,201
3 4 Bedrooms	50%	\$1,329
7 2 Bedrooms	50%	\$1,482
4 3 Bedrooms	50%	\$1,539
3 4 Bedrooms	50%	\$1,889
1 2 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,079,543
Construction Costs	\$0
Rehabilitation Costs	\$9,506,319
Construction Contingency	\$1,254,570
Relocation	\$950,000
Architectural/Engineering	\$845,460
Const. Interest, Perm. Financing	\$749,886
Legal Fees	\$75,500
Reserves	\$284,504
Other Costs	\$361,853
Developer Fee	\$1,998,311
Commercial Costs	\$0
<b>Total</b>	<b>\$19,105,946</b>

**Residential**

Construction Cost Per Square Foot:	\$208
Per Unit Cost:	\$502,788
True Cash Per Unit Cost*:	\$487,166

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$10,643,925
San Mateo HOME Loan**	\$1,687,427
San Mateo CDBG-A Loan**	\$281,290
San Mateo CDBG-B Loan**	\$345,369
San Mateo CDBG-A***	\$750,000
San Mateo CDBG-B***	\$1,125,000
San Mateo AHF***	\$750,000
Seller Carryback Loan	\$593,633
Existing Reserves	\$154,018
Costs Deferred to Conversion	\$1,756,361
Tax Credit Equity	\$961,643

**Permanent Financing**

Source	Amount
CCRC - Tranche A	\$2,328,000
San Mateo HOME Loan**	\$1,687,427
San Mateo CDBG-A Loan**	\$281,290
San Mateo CDBG-B Loan**	\$345,369
San Mateo CDBG-A***	\$750,000
San Mateo CDBG-B***	\$1,125,000
San Mateo AHF***	\$750,000
Seller Carryback Loan	\$593,633
Existing Reserves	\$154,018
Tax Credit Equity	\$11,033,929
<b>TOTAL</b>	<b>\$19,048,666</b>

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

\*\*Assumed

\*\*\*New

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$10,347,468
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$13,451,708
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,210,654
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,998,311
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.91613

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.

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>36.088%</b>

**Significant Information / Additional Conditions:** None.

**Resyndication and Resyndication Transfer Event**

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-95-054). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-95-054) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

### **Local Reviewing Agency**

The Local Reviewing Agency, the City of East Palo Alto, has completed a site review of this project and strongly supports this project.

### **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.

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 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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>10</b>	<b>10</b>	<b>10</b>
General Partner Experience	7	7	7
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/8 mile of transit, service every 30 minutes in rush hours	6	6	6
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1/2 mile of a public middle school	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>109</b>	<b>109</b>	<b>109</b>

**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.**