

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
August 6, 2024**

Midway Village Phase 2, located at 47 Midway Drive in Daly City on a 1.79 acre site, requested and is being recommended for a reservation of \$6,418,635 in annual federal tax credits and \$65,352,000 of tax-exempt bond cap to finance the new construction of 113 units of housing, consisting of 111 restricted rental units, and 2 unrestricted manager's units. The project will have 24 studio units, 24 one-bedroom units, 31 two-bedroom units, 30 three-bedroom units, and 4 four-bedroom units, serving families with rents affordable to households earning 30%-60% of area median income (AMI). The building will be 4 stories and Type V wood frame construction. Common amenities include a lobby, two community rooms, property management offices, resident services offices, a bike storage room, and a landscaped courtyard. Each unit will have a refrigerator, range/oven, garbage disposal, and washer and dryer appliances. The construction is expected to begin in February 2025 and be completed in February 2027. 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-24-471

Project Name Midway Village Phase 2
Site Address: 47 Midway Drive
Daly City, CA 94014
County: San Mateo
Census Tract: 6002.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$6,418,635	\$0
Recommended:	\$6,418,635	\$0

Tax-Exempt Bond Allocation
Recommended: \$65,352,000

CTCAC Applicant Information
CTCAC Applicant / CDLAC Sponsor: MP Midway Associates 2, L.P.
Contact: Abigail Goldware Potluri
Address: 303 Vintage Park Dr Ste 250
Foster City, CA 94404
Phone: 650.356.2900
Email: agoldware@midpen-housing.org

Bond Financing Information
CDLAC Applicant/Bond Issuer: California Municipal Finance Authority
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Wells Fargo, N.A.

Development Team

General Partner(s) or Principal Owner(s): MP Midway 2, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Mid-Peninsula Half Moon Bay, Inc.
 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: 113
 No. / % of Low Income Units: 111 100.00%
 Average Targeted Affordability: 40.89%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (76 Units - 68%)

Information

Housing Type: Large Family
 Geographic Area: South and West Bay Region
 State Ceiling Pool: New Construction
 Set Aside: Extremely Low/Very Low Income Set Aside
 Homeless Set Aside Units: 29
 CDLAC Project Analyst: Anthony Wey
 CTCAC Project Analyst: Jacob Couch

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	41	37%
50% AMI:	50	45%
60% AMI:	20	18%

Unit Mix

24 SRO/Studio Units
 24 1-Bedroom Units
 31 2-Bedroom Units
 30 3-Bedroom Units
 4 4-Bedroom Units

 113 Total Units

Unit Type & Number	2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
18 SRO/Studio	30%	\$487
2 SRO/Studio	30%	\$975
4 SRO/Studio	50%	\$1,626
7 1 Bedroom	30%	\$522
1 1 Bedroom	30%	\$1,045
10 1 Bedroom	50%	\$1,742
6 1 Bedroom	60%	\$2,003
1 2 Bedrooms	30%	\$1,254
2 2 Bedrooms	30%	\$1,254
25 2 Bedrooms	50%	\$2,091
1 3 Bedrooms	30%	\$1,449
9 3 Bedrooms	30%	\$1,449
7 3 Bedrooms	50%	\$2,415
13 3 Bedrooms	60%	\$2,898
4 4 Bedrooms	50%	\$2,695
1 2 Bedrooms	60%	\$2,509
2 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,087,161
Construction Costs	\$78,495,390
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$4,166,713
Soft Cost Contingency	\$435,828
Relocation	\$0
Architectural/Engineering	\$3,579,019
Const. Interest, Perm. Financing	\$11,431,687
Legal Fees	\$91,998
Reserves	\$695,692
Other Costs	\$4,645,319
Developer Fee	\$14,517,646
Commercial Costs	\$11,848,023
Total	\$130,994,476

Residential

Construction Cost Per Square Foot:	\$655
Per Unit Cost:	\$1,044,113
Estimated Hard Per Unit Cost:	\$649,542
True Cash Per Unit Cost*:	\$1,017,810
Bond Allocation Per Unit:	\$578,336
Bond Allocation Per Restricted Rental Unit:	\$588,757

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo: Tax-Exempt	\$65,352,000	CCRC ⁶ : Tax-Exempt	\$23,582,000
Wells Fargo: Taxable	\$11,916,651	San Mateo County: AHF ¹	\$14,762,723
San Mateo County: AHF ¹	\$14,762,723	FHLB: AHP ²	\$1,000,000
FHLB: AHP ²	\$1,000,000	HACSM ³	\$11,279,806
HACSM ³	\$11,279,806	HACSM ³ : Gap Loan	\$2,720,194
Daly City: PLHA ⁴	\$486,230	Daly City: PLHA ⁴	\$486,230
PFS ⁵ Contribution	\$1,150,000	PFS ⁵ Contribution	\$1,150,000
Accrued Interest	\$657,996	Accrued Interest	\$657,996
Deferred Costs	\$2,913,908	Deferred Developer Fee	\$3,300,000
Deferred Developer Fee	\$3,300,000	General Partner Contribution	\$8,717,646
General Partner Contribution	\$8,717,646	Tax Credit Equity	\$63,337,881
		TOTAL	\$130,994,476

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

¹Affordable Housing Fund (Housing for a Healthy California)

²Federal Home Loan Bank: Affordable Housing Program

³Housing Authority of the County of San Mateo

⁴Permanent Local Housing Allocation

⁵Peninsula Family Service: Commercial Space Contribution

⁶California Community Reinvestment Corporation

Determination of Credit Amount(s)

Requested Eligible Basis:	\$123,435,286
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$160,465,872
Applicable Rate:	4.00%
Approved Developer Fee (in Project Cost & Eligible Basis):	\$14,517,646
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.98678

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.

CTCAC Significant Information / Additional Conditions

There is commercial space that is included as part of the structures cost and taken into eligible basis. Pursuant to the Eligible Basis Certification provided by a third-party tax attorney, this space is a community service facility that meets the requirements of IRC § 42(d)(4)(C) and the cost is includible in eligible basis. The community space will be a child care center.

This project is Phase 2 of Midway Village Phase 1 (CA-20-668). The parking for Phases 1 and 2 is provided in a design-build, four-level, gated parking garage constructed in Phase 1. The structure contains 371 parking spaces, 185 of which are allocated to Phase 2. The cost of the garage is split between the two phases – Phase 1 does not include in its depreciable basis the Phase 2 share of costs – and there is an easement and insurance agreement between the two phases that includes these details. Other shared components will be a two-classroom after-school program space constructed in Phase 1, and an attached outdoor accessible play area for children aged 2 to 17, also constructed in Phase 1. Resident courtyards and community rooms in both Phase 1 and Phase 2 will also be shared. There will be a joint use agreement in place before the placed-in-service application.

CDLAC Analyst Comments

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	119

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 108.861%