

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 18, 2013**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$50,000,000

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**Project Information:**  
**Name:** Meadowbrook Apartments  
**Project Address:** 7844 Paradise Valley Road  
**Project City, County, Zip Code:** San Diego, San Diego, 92139

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**Project Sponsor Information:**  
**Name:** Meadowbrook Housing Partners, LP (Meadowbrook Housing Partners MGP, LLC)  
**Principals:** Steve Whyte and Jon Webb  
**Property Management Company:** USRG (California) Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** June 18, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 443, plus 5 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family/Federally Assisted At-Risk

The project was built in 1969-1970 on over 21 flat acres of land. The project will undergo an extensive rehabilitation to address deferred maintenance, improve the physical nature of the property and address long term capital needs. Updating the windows, a complete reroofing of all buildings, new kitchens and baths along with painting all the buildings. Rehab will include updating all community spaces such as the community kitchen, meeting space and offices.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
30% (134 units) restricted to 50% or less of area median income households.  
70% (309 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2 & 3 bedrooms

No service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 80,500,000  
**Estimated Hard Costs per Unit:** \$ 31,169 (\$13,808,000 /443 units)  
**Estimated per Unit Cost:** \$ 181,716 (\$80,500,000 /443 units)  
**Allocation per Unit:** \$ 112,867 (\$50,000,000 /443 units)  
**Allocation per Restricted Rental Unit:** \$ 112,867 (\$50,000,000 /443 restricted units)

| <b>Sources of Funds:</b> | Construction  | Permanent     |
|--------------------------|---------------|---------------|
| Tax-Exempt Bond Proceeds | \$ 50,000,000 | \$ 0          |
| Taxable Bond Proceeds    | \$ 5,000,000  | \$ 55,000,000 |
| Developer Equity         | \$ 1,000,000  | \$ 1,000,000  |
| LIH Tax Credit Equity    | \$ 24,500,000 | \$ 24,500,000 |
| Total Sources            | \$ 80,500,000 | \$ 80,500,000 |

| <b>Uses of Funds:</b>              |               |
|------------------------------------|---------------|
| Acquisition/Land Purchase          | \$ 52,530,000 |
| On & Off Site Costs                | \$ 2,761,000  |
| Hard Construction Costs            | \$ 11,047,000 |
| Architect & Engineering Fees       | \$ 200,000    |
| Contractor Overhead & Profit       | \$ 1,933,120  |
| Developer Fee                      | \$ 2,500,000  |
| Relocation                         | \$ 750,000    |
| Cost of Issuance                   | \$ 800,000    |
| Capitalized Interest               | \$ 550,000    |
| Other Soft Costs (Marketing, etc.) | \$ 7,428,880  |
| Total Uses                         | \$ 80,500,000 |

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**Description of Financial Structure and Bond Issuance:**

The project will be financed with tax exempt private activity bonds. Construction and permanent financing will be provided by Citibank, N.A. Citibank will provide Tax-Exempt \$50,000,000 and Taxable \$5,000,000 bond amounts during the construction phase and \$55,000,000 of taxable bonds during the permanent phase. The construction loan will be for 24 months and the permanent loan will be amortized over a 35 year period. The current estimated bond interest rate will be .7%

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**Analyst Comments:**

Not Applicable

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**Legal Questionnaire:**

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

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**Total Points:** 71.7 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$50,000,000 in tax exempt bond allocation.

**ATTACHMENT A**

**EVALUATION SCORING:**

| Point Criteria  | Maximum Points Allowed for Non-Mixed Income Projects | Maximum Points Allowed for Mixed Income Projects | Points Scored |
|---|--|--|---------------|
| Federally Assisted At-Risk Project or HOPE VI Project   | 20   | 20   | 10            |
| Exceeding Minimum Income Restrictions:  | 35   | 15   | 35            |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project] | [10]   | [10]   | 0             |
| Gross Rents   | 5  | 5  | 5             |
| Large Family Units  | 5  | 5  | 5             |
| Leveraging  | 10   | 10   | 3.2           |
| Community Revitalization Area   | 15   | 15   | 0             |
| Site Amenities  | 10   | 10   | 7.5           |
| Service Amenities   | 10   | 10   | 0             |
| New Construction  | 10   | 10   | 0             |
| Sustainable Building Methods  | 10   | 10   | 6             |
| Negative Points   | -10  | -10  | 0             |
| <b>Total Points</b>   | <b>130</b>   | <b>110</b>                                       | <b>71.7</b>   |

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.