

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**November 12, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$57,000,000

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**Project Information:**  
**Name:** Westridge at Hilltop Apartments  
**Project Address:** 2490 Lancaster Drive  
**Project City, County, Zip Code:** Richmond, Contra Costa, 94806

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**Project Sponsor Information:**  
**Name:** Menlo Westridge Affordable Partners, LP (Menlo Westridge, LLC and Casa Major, Inc.)  
**Principals:** Sunil Suri, Venna Suri and Robert N. Klein for Menlo Westridge, LLC; Nancy A. Riley, Carol A. Bradley and Mary Ruth Virgil for Casa Major, Inc.  
**Property Management Company:** Alliance Residential Company

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** PNC Bank/Freddie Mac  
**Credit Enhancement Provider:** PNC Bank/Freddie Mac  
**Private Placement Purchaser:** Not Applicable  
**TEFRA Adopted Date:** July 1, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 440, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing 401-unit multifamily property with a proposed rehabilitation plan that will add 40 new units to the site, bringing the project's total unit count to 441 units. It is located in the City of Richmond, County of Contra Costa. The property consists of 14 buildings upon four (4) contiguous parcels with a total site area of 11.48 acres. It was originally constructed in 1972 and features studio and one-bedroom floor plans. The proposed renovation will include complete unit rehab (new, appliances (with microwaves), flooring, countertops, lighting fixtures, plumbing fixtures, window, baseboards exterior patio slider doors, heating units and two tone paint. Exterior improvements will consist of updated: pool areas with BBQ; clubhouse with business center and gym equipment; landscaping with new exterior lighting package; interior hallway carpet, paint, lighting, windows and doors; and laundry areas. Improvements will also include a dog park, five rooftop deck entertainment areas and solar and other energy efficient items.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 59%

10% (45 units) restricted to 50% or less of area median income households.

49% (214 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio & 1 bedroom

No services amenities will be included in the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 68,325,000

**Estimated Hard Costs per Unit:** \$ 31,378 (\$13,712,000 /437 units)

**Estimated per Unit Cost:** \$ 156,350 (\$68,325,000 /437 units)

**Allocation per Unit:** \$ 129,545 (\$57,000,000 /440 units)

**Allocation per Restricted Rental Unit:** \$ 220,077 (\$57,000,000 /259 restricted units)

| <b>Sources of Funds:</b>       | Construction         | Permanent            |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds       | \$ 57,000,000        | \$ 57,000,000        |
| LIH Tax Credit Equity          | \$ 7,250,000         | \$ 11,200,000        |
| Direct & Indirect Public Funds | \$ 125,000           | \$ 125,000           |
| Other (Marketing, etc.)        | \$ 3,950,000         | \$ 0                 |
| <b>Total Sources</b>           | <b>\$ 68,325,000</b> | <b>\$ 68,325,000</b> |

| <b>Uses of Funds:</b>              |                      |
|------------------------------------|----------------------|
| Acquisition/Land Purchase          | \$ 40,892,000        |
| On-site & Off-site Costs           | \$ 3,600,000         |
| Hard Construction Costs            | \$ 10,112,000        |
| Architect & Engineering Fees       | \$ 802,000           |
| Contractor Overhead & Profit       | \$ 1,919,000         |
| Developer Fee                      | \$ 3,500,000         |
| Cost of Issuance                   | \$ 1,140,000         |
| Capitalized Interest               | \$ 1,000,000         |
| Other Soft Costs (Marketing, etc.) | \$ 5,360,000         |
| <b>Total Uses</b>                  | <b>\$ 68,325,000</b> |

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

The financial structure for the proposed project will be a credit enhancement transaction provided by PNC Bank, National Association/Freddie Mac (the "Bank"). The proposed loan amount is \$57,000,000. The interest rate will be locked upon payment of the commitment deposit (2% of the proposed loan amount). According to the commitment letter from PNC, the interest rate was estimated at 4.5% as of June 23, 2014 and subject to change based on the market conditions. The loan shall have a term of 10 years, and payments will be based on a 35 year amortization schedule, using an actual 360 day payment schedule. The bonds will be issued by the California Municipal Finance Authority.

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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:** 62.2 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$57,000,000 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                                               | 20            |
| Exceeding Minimum Income Restrictions:                                                                                                | 35                                                   | 15                                               | 17            |
| 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                                                | 0             |
| Leveraging                                                                                                                            | 10                                                   | 10                                               | 0.2           |
| Community Revitalization Area                                                                                                         | 15                                                   | 15                                               | 0             |
| Site Amenities                                                                                                                        | 10                                                   | 10                                               | 10            |
| Service Amenities                                                                                                                     | 10                                                   | 10                                               | 0             |
| New Construction                                                                                                                      | 10                                                   | 10                                               | 0             |
| Sustainable Building Methods                                                                                                          | 10                                                   | 10                                               | 10            |
| Negative Points                                                                                                                       | -10                                                  | -10                                              | 0             |
| <b>Total Points</b>                                                                                                                   | <b>130</b>                                           | <b>110</b>                                       | <b>62.2</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.