

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

Applicant: California Municipal Finance Authority

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

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

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

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

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)

Sources of Funds:	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
Total Sources	\$ 68,325,000	\$ 68,325,000

Uses of Funds:	
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
Total Uses	\$ 68,325,000

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.

Analyst Comments:

Not Applicable

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.

Total Points: 62.2 out of 130

[See Attachment A]

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 [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
Total Points	130	110	62.2

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.