CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 21, 2013

Project Number CA-13-859

Project Name Meadowbrook Apartments
Site Address: 7844 Paradise Valley Road
San Diego, CA 92139 County: San Diego
Census Tract: 60730031.150

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,548,069	$0
Recommended:	$2,548,069	$0

Applicant Information
Applicant: Meadowbrook Housing Partners, LP
Contact: David Beacham
Address: 1700 7th Avenue, Suite 2000
Seattle, WA 98101
Phone: (760) 557-1480 Fax: (760) 557-1480
Email: david.beacham@vitusgroup.com

General Partner(s) or Principal Owner(s): Meadowbrook Housing Management, LLC
Meadowbrook Housing Partners MGP, LLC
General Partner Type: Joint Venture
Parent Company(ies): Vitus Development, LLC
Affordable Housing Access, Inc.
Developer: Vitus Development, LLC
Investor/Consultant: Aegon USA Realty Advisors, LLC
Management Agent: US Residential Group

Project Information
Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 48
Total # of Units: 448
No. & % of Tax Credit Units: 443 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (366 Units / 82%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 134
Number of Units @ or below 60% of area median income: 309

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	October 1, 2013
Credit Enhancement:	N/A

Information

Housing Type:	At-Risk
Geographic Area:	San Diego County
TCAC Project Analyst:	Jack Waegell

Unit Mix

304	2-Bedroom Units
144	3-Bedroom Units
448	Total Units

Unit Type & Number		2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
48	2 Bedrooms	50%	50%	$907
43	2 Bedrooms	50%	50%	$907
24	3 Bedrooms	50%	50%	$1,048
19	3 Bedrooms	50%	50%	$1,048
110	2 Bedrooms	60%	60%	$1,088
100	2 Bedrooms	60%	60%	$1,088
55	3 Bedrooms	60%	60%	$1,257
44	3 Bedrooms	60%	60%	$1,257
3	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Financing	
Estimated Total Project Cost:	$81,048,806
Estimated Residential Project Cost:	$81,048,806

Residential	
Construction Cost Per Square Foot:	$39
Per Unit Cost:	$180,913

Construction Financing

Source	Amount
Citibank - Tax Exempt Bonds	$55,000,000
Deferred Developer Fee	$1,332,537
Tax Credit Equity	$24,716,269

Permanent Financing

Source	Amount
Citibank - Tax Exempt Bonds	$55,000,000
Deferred Developer Fee	$1,332,537
Tax Credit Equity	$24,716,269
TOTAL	**$81,048,806**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$24,174,725
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$48,200,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$31,427,143
Qualified Basis (Acquisition):	$48,200,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$1,005,669
Maximum Annual Federal Credit, Acquisition:	$1,542,400
Total Maximum Annual Federal Credit:	$2,548,069
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	$0.97000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$72,374,725
Actual Eligible Basis:	$72,374,725
Unadjusted Threshold Basis Limit:	$130,869,760
Total Adjusted Threshold Basis Limit:	$170,130,688

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.20% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: None.

Local Reviewing Agency:
The Local Reviewing Agency, the San Diego Housing Commission, has completed a site review of this project and supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
$2,548,069	**$0**

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 reservation 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.

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.

Additional Conditions: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings' Home Energy Rating System II (HERSII) post-rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).