

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: Housing Authority of the County of Marin

Allocation Amount Requested:
Tax-exempt: \$14,834,808

Project Information:
Name: Warner Creek Senior Housing Apartments
Project Address: 806 Diablo Avenue
Project City, County, Zip Code: Novato, Marin, 94947

Project Sponsor Information:
Name: Warner Creek Senior Housing, LP (Eden Investments, Inc.)
Principals: John Gaffney, Jesus Armas, Pauline Weaver, Kathleen Hamm and Linda Mandolini
Property Management Company: Eden Housing Management, Inc. (EHMI)

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A. (constr.) / California Community Reinvestment Corporation (perm.)
TEFRA Hearing Date: May 17, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 60, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The proposed project is a New Construction senior housing project located in the City of Novato. It is a three and two-story, elevator-served 61 unit development located on approximately 2.41 acres. It will be developed on a quintessential infill site located near the downtown area and close to transportation, services and community amenities. The project is comprised of 1-bedroom units types targeted for senior citizens with household incomes no greater than 50% of the area median income (57 of these units will be restricted to household with incomes below 50% of the area median income). Construction is expected to begin in August 2011 and be completed in November 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (60 units) restricted to 50% or less of area median income households.
Unit Mix: 1 bedroom

No service amenities will be provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	24,314,960	
Estimated Hard Costs per Unit:	\$	167,326	(\$10,039,531 /60 units)
Estimated per Unit Cost:	\$	405,249	(\$24,314,960 /60 units)
Allocation per Unit:	\$	247,247	(\$14,834,808 /60 units)
Allocation per Restricted Rental Unit:	\$	247,247	(\$14,834,808 /60 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,834,808	\$ 4,206,000
Developer Equity	\$ 100	\$ 735,799
LIH Tax Credit Equity	\$ 1,148,037	\$ 8,155,000
Direct & Indirect Public Funds	\$ 5,740,882	\$ 10,618,590
Other (Deferred Dev. Fee)	\$ 599,570	\$ 599,571
Total Sources	\$ 22,323,397	\$ 24,314,960

Uses of Funds:	
Land Purchase	\$ 4,906,779
On & Off Site Costs	\$ 1,354,196
Hard Construction Costs	\$ 8,685,335
Architect & Engineering Fees	\$ 1,211,610
Contractor Overhead & Profit	\$ 514,584
Developer Fee	\$ 2,319,870
Cost of Issuance	\$ 384,446
Capitalized Interest	\$ 743,127
Other Soft Costs	\$ 4,195,013
Total Uses	\$ 24,314,960

Description of Financial Structure and Bond Issuance:

The Project will be structured as a private placement transaction. Bank of America, N.A. will provide the construction financing through its Special Bond Offering product, a proprietary direct placement tax-exempt bond product for no more than \$14,834,808 in floating rate tax-exempt bonds. During the term of the Bonds, debt service on the Bonds will be interest-only at a floating rate. The interest will be at a rate of 30-day LIBOR + 250 basis points. The construction period will last for 24 months. The permanent loan will be provided by California Community Reinvestment Corporation for an estimated amount of \$4,157,000. The loan has an amortization period of 20 years and a loan term of 20 years. The permanent bond (indicative rate) rate will be equal to the greatest of 6.00% or the 15-year AAA muni bond index plus 175 bps fixed for 20 years. The actual interest rate will be determined at time of final underwriting and locked 10 days prior to construction bond closing.

Analyst Comments:

N/A

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: 68.8 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,834,808 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	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	3.8
Gross Rents	5	5	0
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	68.8

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.