

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 28, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$7,000,000

Project Information:
Name: Heritage Commons Apartments
Project Address: 191 Heritage Lane
Project City, County, Zip Code: Dixon, Solano, 95620

Project Sponsor Information:
Name: Heritage Commons, L.P. (Davis Senior Housing Communities, Inc.; Neighborhood Partners, LLC; The John Stewart Company)
Principals: Bill Powell, Diane Gilmer, Shirley Humphrey and JoAnn Mahan for Davis Senior Housing Communities, Inc.; Luke Watkins and David J. Thompson for Neighborhood Partners, LLC; Jack D. Gardner, Loren Sanborn, Mary Tustin, Michael Smith-Heimer and Dan Levine for the John Stewart Company.
Property Management Company: The John Stewart Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A.
TEFRA Hearing Date: June 28, 2011

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 59, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The Heritage Commons project will include 6 three-story buildings and a two-story community building. The residential buildings will each include between 8 and 12 units. The project unit mix will include 59 one-bedroom flats and a two-bedroom manager's unit. Each ground floor unit will have an outdoor patio area, and all of the units will have an outdoor sitting area at their front door. There are two laundry rooms in the project the community building will provide a large meeting room and kitchen, a computer area, a manager's office, a services coordinator's office and a maintenance room. In addition, the community building will have a resident operated "store" where the residents can purchase convenience type food items as well as receive produce and staples provided by community organizations. Adjacent to the store is a large sitting area (with a fireplace) where residents can gather to socialize. On the south side of the building is a large covered porch area for socializing and waiting for transportation. The western side of the building has an outdoor patio area suitable for community-wide events. A large green open space and gardening area is to the west of that patio, situated between the north and south sets of residential buildings.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (59 units) restricted to 50% or less of area median income households.
Unit Mix: 1 bedroom

A bona fide service coordinator/social worker will be on site and available to the tenants.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 12,760,000	
Estimated Hard Costs per Unit:	\$ 127,729	(\$7,536,000 /59 units)
Estimated per Unit Cost:	\$ 216,271	(\$12,760,000 /59 units)
Allocation per Unit:	\$ 118,644	(\$7,000,000 /59 units)
Allocation per Restricted Rental Unit:	\$ 118,644	(\$7,000,000 /59 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,000,000	\$ 0
Developer Equity	\$ 0	\$ 225,923
LIH Tax Credit Equity	\$ 755,000	\$ 4,662,677
Direct & Indirect Public Funds	\$ 3,981,332	\$ 7,871,400
Other (Costs deferred to perm)	\$ 1,023,688	\$ 0
Total Sources	\$ 12,760,020	\$ 12,760,000
Uses of Funds:		
Land Purchase	\$ 3,155	
On & Off Site Costs	\$ 1,583,000	
Hard Construction Costs	\$ 5,953,000	
Architect & Engineering Fees	\$ 466,000	
Contractor Overhead & Profit	\$ 412,500	
Developer Fee	\$ 1,200,000	
Cost of Issuance	\$ 95,600	
Capitalized Interest	\$ 172,000	
Other Soft Costs (Marketing, etc.)	\$ 2,874,745	
Total Uses	\$ 12,760,000	

Description of Financial Structure and Bond Issuance:

The bond transaction is a private placement transaction, with Wells Fargo, N.A. as the construction lender (30 day LIBOR plus 3%.) Upon lease-up of the entire project, the public funding will move into place to pay off the bonds. The fund sources are low interest special financing programs ensuring the viability of the affordability.

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: 67.2 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,000,000 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	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]	2.2
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	5
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	67.2

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.