

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: Brian Clark

Applicant: Housing Authority of the City of San Buenaventura

Allocation Amount Requested:
Tax-exempt: \$14,400,000

Project Information:
Name: Johnson Gardens Apartments
Project Address: 1055 and 1079 Johnson Drive and 9620 Telephone Road
Project City, County, Zip Code: Ventura, Ventura, 93004

Project Sponsor Information:
Name: Johnson Gardens, LP (Johnson Gardens, LLC)
Principals: John Polanskey & Denise Wise for Johnson Gardens, LLC
Property Management Company: Housing Authority of the City of San Buenaventura

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank, NA
TEFRA Adoption Date: September 15, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 99, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The scattered-site senior Project is located at 1055 and 1079 Johnson Dr. ("Johnson Villas") and 6920 Telephone Rd. ("Gregory Gardens") in a mixed residential and commercial area of Ventura, CA. The sites are within 2.2 miles of each other and will be collectively re-named "Johnson Gardens" after rehabilitation. The Johnson Villas site, consisting of 49 one-bedroom units and a single one-bedroom manager's unit, will be completely income restricted: 10 units at 50% AMI and 39 units at 60% AMI. The Gregory Gardens site, consisting of 50 one-bedroom units, a single two-bedroom unit and a single one-bedroom manager's unit, will be completely income restricted: 11 units at 50% AMI and 39 units at 60% AMI. The units at each site feature blinds, carpeting, refrigerator, stove, coat closet and pantry. Community amenities at each location include: a courtyard/picnic area, computer/community room with kitchen, laundry facility and on-site property management. Unit rehabilitation at each site will include new appliances, carpeting, blinds, plumbing fixtures, kitchen cabinets, paint, heating/ventilation systems and installation of wall-mounted AC units. Exterior renovations at each site will include new stucco siding, painting, landscaping and installation of security cameras. Rehabilitation at each site is expected to begin in February 2015 and be completed in February 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

21% (21 units) restricted to 50% or less of area median income households.

79% (78 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 28,462,612	
Estimated Hard Costs per Unit:	\$ 45,068	(\$4,461,696 /99 units)
Estimated per Unit Cost:	\$ 287,501	(\$28,462,612 /99 units)
Allocation per Unit:	\$ 145,455	(\$14,400,000 /99 units)
Allocation per Restricted Rental Unit:	\$ 145,455	(\$14,400,000 /99 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 14,400,000	\$ 0
Deferred Developer Fee	\$ 0	\$ 962,535
LIH Tax Credit Equity	\$ 139,326	\$ 8,240,077
Direct & Indirect Public Funds	\$ 12,130,000	\$ 12,130,000
Existing Project Reserves	\$ 80,000	\$ 80,000
Utility Rebates	\$ 0	\$ 50,000
Housing Authority Loan	\$ 0	\$ 7,000,000
Total Sources	\$ 26,749,326	\$ 28,462,612

Uses of Funds:	
Acquisition/Land Purchase	\$ 19,380,000
Hard Construction Costs	\$ 4,461,696
Architect & Engineering Fees	\$ 369,430
Contractor Overhead & Profit	\$ 218,443
Developer Fee	\$ 2,500,000
Relocation	\$ 125,000
Capitalized Interest	\$ 420,000
Other Soft Costs (Marketing, etc.)	\$ 988,043
Total Uses	\$ 28,462,612

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by Union Bank, NA. The construction phase will be for a period of 18 months, during which the construction loan will be interest-only at a fixed rate equal to the 30-day LIBOR rate plus a spread of 2.25%. The construction loan will be recourse to the borrower and will be secured by a deed of trust, a security agreement on the property, a UCC-1 personal property financing statement and an assignment of the construction contract, plans and specifications, tax credits and partnership interests of the borrower. Upon completion of construction, the bonds will be paid off using a combination of LIHTC equity and a \$7,000,000 permanent loan provided by the Housing Authority of the City of San Buenaventura. The permanent loan will have a term of 55 years and will be interest-only at a fixed rate equal to the applicable federal rate for long term loans, compounded semi-annually, as calculated in accordance with IRC § 1274(d), as of the date of the promissory note evidencing the loan. The permanent loan will be non-recourse to the borrower and will be secured by a deed of trust with an assignment of rents, security agreement and fixture filing on borrower's interest in the property.

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:

64 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,400,000 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	31
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
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	0
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	64

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.