

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 18, 2011**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** ABAG Finance Authority for Nonprofit Corporations

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**Allocation Amount Requested:**  
**Tax-exempt:** \$8,100,000

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**Project Information:**  
**Name:** Vintage Chateau II Apartments  
**Project Address:** 325 North McDowell Blvd.  
**Project City, County, Zip Code:** Petaluma, Sonoma, 94954-2363

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**Project Sponsor Information:**  
**Name:** Vintage Chateau, LP (USA Chateau, Inc., and Riverside Charitable Corporation)  
**Principals:** Geoffrey C. Brown, Edward R. Herzog, Michael J. McCleery, Karen McCurdy, Darren Bobrowsky and Valerie Silva for USA Chateau, Inc.; and Ken Robertson, Craig Gillett, Penny LaRue, Stewart Hall, Trisha Hockings and Gregg Rogers for Riverside Charitable Corporation

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Citibank, N.A.  
**Credit Enhancement Provider:** Freddie Mac through Citibank, N.A.  
**TEFRA Hearing Date:** February 28, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 67, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Senior Citizens

The proposed project is an infill project in an older mixed use neighborhood on the eastern side of Highway 101 just one block north of the Washington Street exit. The targeted population will be senior households, age 55 and over, with incomes ranging from 50% to 60% of area median income for Sonoma County. The project will consist of 68 residential units in a 3-story elevator serviced rectangular building surrounding a central courtyard. The project unit types will consist of 1 and 2 bedroom units with unit sizes ranging from 593 square feet to 750 square feet. Parking includes 55 covered and uncovered spaces with 46 spaces inside the gated community as well as nine (9) spaces outside the gates at the clubhouse entry for employees, visitors and deliveries. The project will incorporate Build-It Green design and efficiencies into the project.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
21% (14 units) restricted to 50% or less of area median income households.  
79% (53 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 & 2 bedrooms

The project will provide 67 newly constructed affordable senior housing units in the County of Sonoma. All of these units will be restricted to households with incomes no greater than 60% of the area median income. The project will be located within 1/4 mile of a public transit corridor and within 1/2 mile of a park or recreation facility, groceries and other shopping essentials and a medical facility serving seniors or a senior center. The project will also provide educational classes and contract for services such as assistance with daily living activities, or provision of senior counseling services.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	16,073,244	
<b>Estimated Hard Costs per Unit:</b>	\$	93,204	(\$6,244,669 /67 units)
<b>Estimated per Unit Cost:</b>	\$	239,899	(\$16,073,244 /67 units)
<b>Allocation per Unit:</b>	\$	120,896	(\$8,100,000 /67 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	120,896	(\$8,100,000 /67 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,100,000	\$ 5,725,000
Developer Equity	\$ 1,655,215	\$ 800,676
LIH Tax Credit Equity	\$ 2,268,029	\$ 5,047,568
Direct & Indirect Public Funds	\$ 4,050,000	\$ 4,500,000
<b>Total Sources</b>	<b>\$ 16,073,244</b>	<b>\$ 16,073,244</b>

<b>Uses of Funds:</b>	
Land Purchase	\$ 2,225,000
On & Off Site Costs	\$ 1,379,956
Hard Construction Costs	\$ 4,864,713
Architect & Engineering Fees	\$ 505,164
Contractor Overhead & Profit	\$ 556,025
Developer Fee	\$ 1,655,215
Cost of Issuance	\$ 247,602
Capitalized Interest	\$ 700,162
Other Soft Costs	\$ 3,939,407
<b>Total Uses</b>	<b>\$ 16,073,244</b>

**Description of Financial Structure and Bond Issuance:**

The Project Sponsor has received an allocation of the U.S. Treasury's New Issue Bond Program bonds via Association of Bay Area Governments as the Conduit Issuer. The Project Sponsor has entered into an exclusive agreement with Citibank, N.A. to arrange for the credit enhancement of housing bonds to finance the development and construction of the proposed project. The credit enhancement facility will be provided by the Federal Home Loan Mortgage Corporation ("Freddie Mac") through a forward commitment for direct pay Credit Enhancement Agreement which will enable the Bonds to receive a "AAA" rating. The anticipated bond closing and credit enhancement delivery is June 17, 2011. The mortgage loan term and credit enhancement for the construction / permanent loan in the amount of \$5,725,000 is 30 years with a 35 year amortization. The underwritten interest rate is 4.591%. Additionally, during the construction period, short term tax exempt bonds will be issued for construction in the amount of \$2,375,000. The total credit enhancement of \$8,100,000 will be secured by a first deed of trust. In addition to the bonds, anticipated sources of funds for the acquisition include tax credit equity of \$5,047,568, public financial assistance totaling \$4,500,000 and a deferred developer fee of

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**Analyst Comments:**

N/A

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**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.

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**Total Points:** 84.4 out of 118

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$8,100,000 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	30
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	1.4
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	10
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>84.4</b>

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.