

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: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$12,500,000

Project Information:
Name: Hudson Townhouse Manor Apartments
Project Address: 3421 Hudson Court
Project City, County, Zip Code: Antioch, Contra Costa, 94509

Project Sponsor Information:
Name: Hudson Manor Housing Partners, LP (Hudson Manor Development, LLC and Pacific Housing, Inc.)
Principals: Nicholas J. Arthur for Hudson Manor Development, LLC and Mark Wiese for Pacific Housing, Inc.
Property Management Company: FPI Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: April 26, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 121, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed project is an Acquisition and Rehabilitation project located in the County of Contra Costa and is comprised of 121 2- and 3-bedroom units restricted to households with incomes no greater than 60% of the area median income. Fifty-one of these units are large family units comprised of 3-bedroom. The project currently receives the benefit of a Project Based Section 8 Housing Assistance Payments Contract for 119 of these units. This contract expires October 1, 2012, which places the project in danger of losing its affordability. The property has 20 wood-framed buildings, is situated on 8.08 acres of land and is located within walking distance of four malls, Costco, and several parks. The proposed scope of the project is to replace or repair all the major components of the buildings with a budget of approximately \$20,000 per unit. Construction is anticipated to begin within 45 days of closing and expected to be completed by September 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (13 units) restricted to 50% or less of area median income households.
89% (108 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

The project will preserve 121 at-risk family units in the city of Antioch and provide after school programs and educational classes to the residents.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 17,599,923
Estimated Hard Costs per Unit: \$ 18,756 (\$2,269,430 /121 units)
Estimated per Unit Cost: \$ 145,454 (\$17,599,923 /121 units)
Allocation per Unit: \$ 103,306 (\$12,500,000 /121 units)
Allocation per Restricted Rental Unit: \$ 103,306 (\$12,500,000 /121 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 12,500,000	\$ 12,500,000
Deferred Developer Fee	\$ 111,706	\$ 111,706
LIH Tax Credit Equity	\$ 4,988,217	\$ 4,988,217
Total Sources	\$ 17,599,923	\$ 17,599,923

Uses of Funds:	
Acquisition Cost	\$ 10,500,000
Hard Construction Costs	\$ 2,269,430
Contractor Overhead & Profit	\$ 171,278
Developer Fee	\$ 2,107,536
Relocation	\$ 300,000
Cost of Issuance	\$ 375,000
Capitalized Interest	\$ 84,529
Other Soft Costs	\$ 1,792,150
Total Uses	\$ 17,599,923

Description of Financial Structure and Bond Issuance:

The financial structure will be a Private Placement transaction through Citibank, N.A. The project will be financed using tax-exempt bonds, low income housing tax credit equity and deferred developer fee. The tax-exempt bonds will carry a fixed interest rate for the term of 18 years and an amortization period of 35 years. The underwritten interest rate on the tax-exempt bonds is 6.5%. The construction phase of the bonds will be for a period of 24 months and during this time loan payments will be interest only and the debt will be non-recourse.

Analyst Comments:

There will be a lock-out period on the Citibank loan. The Loan shall be locked to prepayment until the end of the 15th year of the Permanent Phase (the "Lock Out Period"). At the end of the Lock Out Period, the Loan is pre-payable at par. At the end of the 15th year of the Permanent Phase CITI, in its sole discretion, can require repayment of the Loan in full (upon not less than six (6) months prior to written notice).

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: 65 out of 128
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,500,000 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	10
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	128	108	65

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.