

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.