

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 21, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Brian Clark*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**

**Tax-exempt:** \$7,200,000

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**Project Information:**

**Name:** Heritage Commons Phase 2  
**Project Address:** 193 Heritage Ln.  
**Project City, County, Zip Code:** Dixon, Solano, 95620

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**Project Sponsor Information:**

**Name:** Heritage Commons Phase 2, LP (Davis Senior Housing Communities Inc., Neighborhood Partners LLC & The John Stewart Co.)  
**Principals:** Bill Powell, Kelly Raymos, Shirley Humphrey & Chris Dechoretz for Davis Senior Housing Communities Inc; Luke Watkins & David J. Thompson for Neighborhood Partners LLC; John K. Stewart, Jack D. Gardner, Noah G. Schwartz, Mari Tustin, Dan Levine & Steve McElroy for The John Stewart Co.

**Property Management Company:** The John Stewart Company

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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Wells Fargo Bank, NA  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Wells Fargo Bank, NA  
**TEFRA Adoption Date:** March 11, 2014

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**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 proposed new construction senior project will be located less than one mile from downtown Dixon on approximately 2.49 acres located in the Brookfield subdivision. The proposed project is surrounded by vacant land zoned for single family detached homes on the north, east & south in the beginning stages of build out and a vacant commercial site across the street to the west. The proposed project will consist of 6 three story buildings containing 59 one bedroom tenant units and a two-story community building that will also house the two bedroom manager's unit. All units will be income restricted and will feature central heat & air conditioning, blinds, carpeting, and a refrigerator, stove, dishwasher & disposal in the kitchen. Each unit will have an assigned carport with additional surface parking. The proposed project will also have a manager's office, community room with fireplace, community kitchen, computer room, laundry room, maintenance room, a community patio area, a community covered porch and community green space and garden. Ground-level units will each have a patio and all units will have an outdoor sitting area. The proposed project is Phase 2 of a planned 120 unit low income senior project. Phase 1 sits on a 2.58 acre site to the immediate west of the proposed project and its 60 units are 100% occupied. Construction is anticipated to be completed in 2016.

**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.  
 \_\_\_\_\_ (0 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 bedroom

The Project will provide a service coordinator at 520 FTE service hours per year.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 13,654,000	
<b>Estimated Hard Costs per Unit:</b>	\$ 125,932	(\$7,430,000 /59 units)
<b>Estimated per Unit Cost:</b>	\$ 231,424	(\$13,654,000 /59 units)
<b>Allocation per Unit:</b>	\$ 122,034	(\$7,200,000 /59 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 122,034	(\$7,200,000 /59 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,200,000	\$ 0
Deferred Developer Fee	\$ 0	\$ 891,387
LIH Tax Credit Equity	\$ 695,300	\$ 5,042,613
Direct & Indirect Public Funds	\$ 4,648,608	\$ 7,720,000
Other	\$ 1,110,092	\$ 0
<b>Total Sources</b>	<b>\$ 13,654,000</b>	<b>\$ 13,654,000</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 720,000
On & Off Site Costs	\$ 1,137,000
Hard Construction Costs	\$ 6,293,000
Architect & Engineering Fees	\$ 458,000
Contractor Overhead & Profit	\$ 380,000
Developer Fee	\$ 1,604,000
Cost of Issuance	\$ 81,050
Capitalized Interest	\$ 335,000
Other Soft Costs (Marketing, etc.)	\$ 2,645,950
<b>Total Uses</b>	<b>\$ 13,654,000</b>

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

The Proposed Project will be financed using a private-placement structure with Wells Fargo Bank, NA purchasing the tax-exempt bonds. The \$7,200,000 bond issuance through CSCDA will consist of tax-exempt debt with 100% of the proceeds to be drawn down on a monthly basis to build the Proposed Project. The Wells Fargo loan will be interest-only, payable on the first of each month, & have a term of 24 months with a variable interest rate equal to 30-day LIBOR plus 2.00%. The lender reserves the right to increase the spread over the 30-day LIBOR rate to reflect market conditions. Other sources of construction financing are a \$5,500,000 HOME loan from the City of Dixon (\$2,428,608 will be paid induring construction) having a 3.00% fixed interest rate and a term of 55 years; and a \$1,500,000 loan from First Northern Bank, provided by AHP, having a 0% interest rate and term of 55 years. Low-income housing tax credit equity in the amount of \$695,300 will be paid in during construction. The developers will defer \$1,110,092 of the developer fee until permanent loan closing. Upon lease-up of the entire project, the remainder of the low-income housing tax equity, in the amount of \$4,347,313 will be available to pay the tax-exempt bond debt off, as well as pay down the deferred developer fee to \$487,387. The HOME loan & AHP loan will close with the Wells Fargo construction loan closing.

**Analyst Comments:**

Not Applicable

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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:** 87.1 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$7,200,000 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]	7.1
Gross Rents	5	5	5
Large Family Units	5	5	
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	10	10	10
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>87.1</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.