

**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: Leslie J. Campaz*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$7,100,000

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**Project Information:**  
**Name:** Heritage II Apartments  
**Project Address:** Burton Mesa Boulevard  
**Project City, County, Zip Code:** Lompoc, Santa Clara, 93436

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**Project Sponsor Information:**  
**Name:** Heritage II, L.P. (Investment Concepts, Inc.)  
**Principals:** George A. Chami, Irmgard Benz, Sandra Poiser, George A. Chami Jr., Dana Sims, George Mobayed, Russell Khouri and Mardah Chami  
**Property Management Company:** Investment Concepts, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Hutchinson, Shockey, Erley & Co.  
**Credit Enhancement Provider:** East West Bank  
**TEFRA Adoption Date:** May 14, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 79, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Senior Citizens

The proposed project is a new construction age-restricted multifamily rental development located along the east side of Burton Mesa Boulevard southwest of Senior Circle in Lompoc, Santa Barbara County, California. The project will contain a total of 80 one and two-bedroom rental units in 20 newly constructed one-story four-plex buildings. Out of the 80 units, 79 will be restricted to senior households age 55 and over, with income levels at 50 and 60 percent of the area median income. The Subject will be the second phase to Heritage Villas at Vandenberg Village and will share a computer lab, clubhouses (2), exercise facility, and library with Phase I. It will also offer free WI-FI in all common areas and health and wellness classes. Security features will include controlled access and perimeter fencing. Construction is expected to begin in June 2014 and be completed by December 2014.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
10% (8 units) restricted to 50% or less of area median income households.  
90% (71 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 & 2 bedrooms

Instructor-led educational, health and wellness or skill building classes and health and willness services and programs will be included as service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 10,000,000  
**Estimated Hard Costs per Unit:** \$ 65,094 (\$5,142,500 /79 units)  
**Estimated per Unit Cost:** \$ 126,582 (\$10,000,000 /79 units)  
**Allocation per Unit:** \$ 89,873 (\$7,100,000 /79 units)  
**Allocation per Restricted Rental Unit:** \$ 89,873 (\$7,100,000 /79 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,100,000	\$ 7,100,000
GP Equity	\$ 2,900,000	\$ 0
Equity Investor	\$ 0	\$ 2,900,000
<b>Total Sources</b>	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 500,000
New Construction Costs	\$ 5,476,000
Architectural	\$ 20,000
Survey & Engineering	\$ 42,100
Contingency Costs	\$ 96,658
Construction Period Expenses	\$ 635,000
Legal Fees	\$ 15,000
Capitalized Reserves	\$ 200,000
Reports and Studies	\$ 10,000
Developer Costs	\$ 1,174,050
Permanent Financing Expenses	\$ 751,000
Other Costs	\$ 1,080,192
<b>Total Uses</b>	<b>\$ 10,000,000</b>

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

The Proposed Project will be financed using a credit enhancement structure. East West Bank will provide construction and permanent financing. The construction and permanent term is a 2-3 year construction/lease up plus an additional 7-8 year term loan. In no event shall the combined construction/term loan exceed 10 years. The construction interest rate will be 2.50% per annum plus any FHLB fees payable monthly in arrears on the Letter of Credit Amount. The permanent interest rate will be 2.25% per annum plus any FHLB fees payable monthly in arrears on the Letter of Credit Amount. The bonds will be issued by the California Statewide Communities Development Authority.

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**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:** 55.32 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$7,100,000 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	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	5.32
Gross Rents	5	5	5
Large Family Units	5	5	0
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	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>55.32</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.