

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

December 10, 2014

**Consideration and Approval of a Revision to CDLAC Resolution 14-40
for the Heritage Commons Phase 2 Apartments Project (14-063)**

(Agenda Item No. 4)

ACTION:

Approve the revisions to CDLAC Resolution 14-40 for the purpose of changing the total count of restricted units from 59 to 54; and changing the affordability mix from 59 units at or less than 50% Area Mean Income (“AMI”) to 53 units at or less than 50% AMI and 1 unit at more than 50% AMI but less than 60% AMI for the Heritage Commons Phase 2 Apartments Project (14-063).

BACKGROUND:

At its May 21, 2014 meeting, CDLAC approved a resolution which granted an award of allocation to the California Statewide Communities Development Authority (“Applicant”) for the Heritage Commons Phase 2 Apartments Project (“Project”) in the amount of \$7,200,000. The Project’s Sponsor initially applied for competitive state tax credits in March 2014, but did not receive an award in June 2014. The Project Sponsor reapplied for state tax credits in July 2014 and was awarded an allocation in September 2014. It was not possible to begin the closing process in advance of the tax credits award. At its November 12, 2014 meeting, upon the Applicant’s request, CDLAC approved a carry-forward extension to March 23, 2015 to provide additional time needed to issue the bonds for this Project and also to align the bond issuance deadline with the tax credits deadline. CDLAC also approved the Applicant’s request for a waiver of the forfeiture of the associated performance deposit. The Project Sponsor has targeted a closing date of March 1, 2015 for the Project.

DISCUSSION:

At the time of application, it was the intent of the Project Sponsor to construct a total of 59 tenant-occupied units, all at 50% AMI or less. As a result of escalating construction costs, namely an approximately 24% increase in construction pricing, the Project Sponsor now proposes to construct a total of 54 units, a decrease of 5 units overall. The Project Sponsor further proposes an affordability mix of 53 units at or less than 50% and 1 unit at or less than 60% AMI.

It should be noted that this allocation award was made in a non-competitive CDLAC round, and the Applicant’s CDLAC allocation eligibility would not have been impacted by this change. It should be further noted that, as the Project has not yet closed, the final number of restricted units for the Project have not been reported to the IRS. Although less than originally proposed in the Project’s QRRP application, the requested revisions to CDLAC Resolution 14-40 will provide 54 needed affordable, senior units needed in the City of Dixon Community.

RECOMMENDATION:

Staff recommends approval of revisions to CDLAC Resolution 14-40 for the purpose of changing the total count of restricted units from 59 to 54, and to change the income restrictions to 53 Qualified Residential units at or below 50% AMI and 1 Qualified Residential unit at more than 50% AMI but less than 60% AMI for the Heritage Commons Phase 2 Apartments Project (14-063).

Prepared by Brian Clark