

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
April 14, 2020
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Richard Fischer

Applicant: California Housing Finance Agency

Allocation Amount Requested: Tax-exempt: \$8,000,000

Project Information:

Name: Heritage Commons Phase III
Project Address: 195-197 Heritage Lane
Project City, County, Zip Code: Dixon, Solano, 95620

Project Sponsor Information:

Name: Heritage Commons Phase III, L.P. (NP Heritage Commons III LLC, JSCo Heritage Commons III LLC and DSHC Heritage Commons III LLC)
Principals: Luke Watkins and David J. Thompson for NP Heritage Commons III LLC; Jack D. Gardner, Noah G. Schwartz and Daniel Levine for JSCo Heritage Commons III LLC; Bill Powell, Shirley Humphrey and Blayney Breckenridge for DSHC Heritage Commons III LLC
Property Management Company: John Stewart Company

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Wells Fargo Bank, N.A. (cons't) and California Community Reinvestment Corporation (perm)
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: November 3, 2019
TEFRA Adoption Date: December 17, 2019

Description of Proposed Project:

State Ceiling Pool: Rural
Total Number of Units: 44
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Senior Citizens

Heritage Commons Phase III Apartments is a new construction project located in Dixon on a total of 1.14-acres. The project consists of 43 restricted rental units and 1 unrestricted manager unit. The project will have 44 one-bedroom units. The building will be three-stories, slab on grade foundation with wood framing. Common amenities include a large community room, laundry facilities and management offices. There are two elevators for easy tenant access. Each unit will have fully accessible routes of travel, roll-in showers and grab bars in the bathrooms. All the kitchens will be built-out handicapped accessible. There will be 26 parking spaces provided. The project will be pursuing the Green Point certification. Green features include solar photovoltaic panels to offset common energy loads. The construction is expected to begin July 2020 and be completed in July 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

63% (27 units) restricted to 50% or less of area median income households.
37% (16 units) restricted to 60% or less of area median income households.

Unit Mix: 1 bedroom

The proposed project will be receiving service amenity points for providing a Bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 14,746,000	
Estimated Hard Costs per Unit:	\$ 150,000	(\$6,600,000 /44 units including mgr. unit)
Estimated per Unit Cost:	\$ 335,136	(\$14,746,000 /44 units including mgr. unit)
Allocation per Unit:	\$ 181,818	(\$8,000,000 /44 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 186,047	(\$8,000,000 /43 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,000,000	\$ 2,200,000
LIH Tax Credit Equity	\$ 650,161	\$ 6,906,607
Developer Equity	\$ 275,000	\$ 275,000
Deferred Developer Fee	\$ 0	\$ 928,579
Deferred Costs	\$ 1,733,762	\$ 0
AHP	\$ 968,000	\$ 968,000
HCD HOME	\$ 3,119,077	\$ 3,467,814
Total Sources	\$ 14,746,000	\$ 14,746,000

Uses of Funds:	
Land Cost/Acquisition	\$ 275,000
New Construction	\$ 8,190,000
Contractor Overhead & Profit	\$ 480,000
Architectural Fees	\$ 375,000
Survey and Engineering	\$ 110,000
Construction Interest and Fees	\$ 810,000
Permanent Financing	\$ 47,000
Legal Fees	\$ 170,000
Reserves	\$ 208,762
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 433,500
Local Development Impact Fees	\$ 1,356,754
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 534,984
Developer Costs	\$ 1,740,000
Total Uses	\$ 14,746,000

Analyst Comments:

None

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:

120 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$8,000,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10
Negative Points (No Maximum)	-10	-10	0
Total Points	145	125	120