

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: ABGA Finance Authority for Nonprofit Corporations

Allocation Amount Requested:
Tax-exempt: \$7,250,000

Project Information:
Name: Vintage at Laguna II Senior Apartments
Project Address: 9204 Big Horn Road
Project City, County, Zip Code: Elk Grove, Sacramento, 95758

Project Sponsor Information:
Name: Laguna Senior II, L.P. (USA Laguna Seniors II, Inc. and Life Skills Training and Education Programs, Inc.)
Principals: Geoffrey C. Brown and Edward R. Herzog for USA Laguna Seniors II, Inc.; Craig Gillett, JD, MFT, Kenneth S. Robertson and Barbara G. Valiant for Life Skills Training and Education Programs, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Citibank, N.A / Freddie Mac
Credit Enhancement Provider: Citibank, N.A / Freddie Mac
TEFRA Hearing Date: March 9, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 68, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

Vintage at Laguna II is located on 2.3 acres of unimproved vacant infill land. The project is adjacent to single-family residential neighborhood to the north. Vintage at Laguna Senior Apartments (Phase I) is located west of the project site. A large retail commercial center is located to the east and a vacant site is located on the south side. The 2,651 square foot community center will include a lobby, leasing office, great room, kitchen, covered patio, fitness center and public restrooms. The development will be designed in compliance with Green Point Rated Multifamily Guidelines.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

51% (35 units) restricted to 50% or less of area median income households.

49% (33 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 bedrooms

The proposed project will include 68, one and two-bedroom units in a single building, two and three stories high. The project is within close proximity to public transportation, Zimbleman Park, Henry's Farmer's Market and Kaiser Permanente Medical Group. In addition, the project sponsor has committed to providing educational classes and a contract for services for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	14,095,510	
Estimated Hard Costs per Unit:	\$	81,690	(\$5,554,923 /68 units)
Estimated per Unit Cost:	\$	207,287	(\$14,095,510 /68 units)
Allocation per Unit:	\$	106,618	(\$7,250,000 /68 units)
Allocation per Restricted Rental Unit:	\$	106,618	(\$7,250,000 /68 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,250,000	\$ 3,215,000
Developer Equity	\$ 1,400,000	\$ 567,025
LIH Tax Credit Equity	\$ 1,712,177	\$ 4,713,485
Direct & Indirect Public Funds	\$ 3,733,333	\$ 5,600,000
Total Sources	\$ 14,095,510	\$ 14,095,510

Uses of Funds:	
Land Purchase	\$ 1,250,000
On & Off Site Costs	\$ 968,427
Hard Construction Costs	\$ 4,586,496
Architect & Engineering Fees	\$ 555,675
Contractor Overhead & Profit	\$ 518,982
Developer Fee	\$ 1,400,000
Cost of Issuance	\$ 556,536
Capitalized Interest	\$ 426,346
Other Soft Costs (Marketing, etc.)	\$ 3,833,048
Total Uses	\$ 14,095,510

Description of Financial Structure and Bond Issuance:

The project sponsor has obtained a commitment from Citibank, N.A. acting as a Seller/Service for the Federal Home Loan Mortgage Corporation "Freddie Mac" to purchase the tax-exempt bonds issued for the project through a Credit Enhancement structure under the Affordable Housing for Tax-Exempt Bond Executions Program. The loan will be amortized over 35 years with a fixed interest rate of 4.626%. In addition, the project will issue bonds under the U.S. Treasury's New Issue Bond Program.

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: 88 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,250,000 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	88

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.