



## ***Yolo County Housing***

**Lisa A. Baker, Executive Director**

147 W. Main Street  
WOODLAND, CA 95695

Woodland: (530) 662-5428  
Sacramento: (916) 444-8982  
TTY: (800) 545-1833, ext. 626

### BOARD OF COMMISSIONERS

Duane Chamberlain  
Marlene Garnes  
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Matt Rexroad  
Helen M. Thomson  
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DATE: July 8, 2010  
TO: YCH Board of Commissioners  
FROM: Lisa A. Baker, Executive Director  
SUBJECT: **Review and Approve Letter of Intent with DHA-DFI and Authorize the Executive Director to Execute and to Negotiate Subsequent Development Agreement**

### **RECOMMENDED ACTIONS:**

That the Board of Commissioners:

1. Review and Approve the Letter of Intent (LOI); and
2. Authorize the Executive Director to execute the LOI with DHA-DFI; and
3. Authorize the Executive Director to Execute the terms of the LOI; and
4. Authorize the Executive Director to Negotiate the subsequent Development Agreement, subject to approval of the Final Agreement by the Board of Commissioners.

### **BACKGROUND / DISCUSSION:**

Crosswood Apartments is a 48 unit complex located at 646 Third Street, Woodland, CA. Crosswood Apartments was a privately-owned HUD-funded Multi Family project. Yolo County Housing stepped forward when the property was for sale in order to continue to preserve the property's affordability for the community. Ultimately, the property was purchased by our bond pool, Cal-AHA and is currently managed by a private management company.

On October 2, 2008, the Board authorized Lisa A. Baker, Executive Director of Yolo County Housing (YCH) to act as the Agency's chief negotiator for the potential purchase of real property located at 646 3rd Street, Woodland, CA 95695. The complex's subsidy contract expires in February 2011. On April 2, 2009, the Board authorized the Executive Director to execute a Letter of Intent with Cal-AHA for purchase of the property by 2011.

Subsequent to this transaction, YCH was contacted by DFA Development, LLC regarding the potential redevelopment of this property. DFA Development has partnered with Dawson Holdings, Inc. to bring forward an acquisition-rehabilitation proposal for the property that will meet the criteria laid out in the Letter of Intent with Cal-AHA for acquisition and rehabilitation of the property. DFA and DHA have extensive experience and expertise in these types of acquisition and have worked with Cal-AHA staff on other transactions.

**FISCAL IMPACT:**

None at this time. Staff will bring back a subsequent development agreement that may have some financial implications.

**CONCLUSION:**

Staff has reviewed the LOI and the proposed project in light of its obligations under the Cal-AHA Letter of Intent and recommends that the Board authorize the Executive Director to execute the LOI and move forward with subsequent development agreements.

Attachment: Letter of Intent  
Corporate Resumes

**DHI**  
**Dawson Holdings, Inc.**

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300 Turney Street, Second Floor  
Sausalito, California 94965  
Ph. 415-332-8393

8388 Robidoux Road  
Sandy, Utah 84093  
Ph. 801-733-6111

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July 1, 2010

This Letter of Intent (the "LOI") sets forth the terms and conditions upon which DHI-DFA ("Developer"), a joint venture between Dawson Holdings, Inc., a California corporation, and DFA Development, LLC, a California limited liability company, and Yolo County Housing ("YCH") agree to develop the Property identified below.

It is understood that this Agreement constitutes an expression of Developer's intent only and that any final and binding agreement shall be subject to the preparation, negotiation and execution of definitive legal documents (hereinafter referred to as the "Development Agreement"). Subject to the foregoing limitations, it is Developer's intention to enter into a Development Agreement with YCH that contains, among others, the following terms and conditions:

1. DEVELOPER: DHI-DFA ("Developer"), a joint venture between Dawson Holdings, Inc., a California corporation, and DFA Development, LLC, a California limited liability company Dawson Holdings, Inc., a California corporation.
2. YOLO COUNTY HOUSING: Co-Developer ("YCH")
3. PROPERTY: A 48-unit apartment project known as Crosswood Apartments, located at 646 Third Street, Woodland, Yolo County, California, together with all improvements thereon, and all of Seller's right, title, and interest in all common areas, amenities, appurtenances, fixtures, chattels, and all personal property, the underlying fee land and all interest in and rights to the property (the "Property").
4. DEVELOPER RESPONSIBILITIES: Developer will be responsible for the following:
  - a. Developer will be responsible for advancing all predevelopment funds required for third-party due diligence investigations and reports, the financing and regulatory applications, legal and accounting work required. Developer will only advance funds as for predevelopment costs included in the approved Development Plan.
  - b. Developer will be responsible for preparing and submitting any financing and regulatory applications required for the project, including but not limited to applications to the U.S. Department of Housing and Urban Development, the Affordable Housing Association, the California Debt Limit Allocation Committee, and the California Tax Credit Allocation Committee.
  - c. Developer will produce a development plan for YCH's approval.
  - d. Developer will develop the project based on the approved development plan.

- e. Developer's principals, Dawson Holdings, Inc., Thomas Dawson and Tim Fluetsch, will personally guarantee certain obligations of the general partners to any project lenders and/or investor limited partners. Specifically, the Developer's principals will personally guarantee:
  - i. completion of lien-free construction and payment of any cost overruns;
  - ii. payment of any operating deficits for three years commencing upon stabilization;
  - iii. payment of any tax credit adjusters due to deficiencies in the eligible basis or timing of the delivery of credits; and
  - iv. payment of any loan funding shortfall at the conversion from the construction loan to the permanent loan.
5. YCH RESPONSIBILITIES: YCH will be responsible for the following:
  - a. YCH will review and approve the Development Plan and any changes to the Development Plan in a timely manner.
  - b. YCH will operate the Property in a safe and sound manner consistent with the regulatory, financing and investor agreements.
  - c. YCH will execute, in a timely manner, all construction, regulatory, financing and investor agreements necessary to complete the project.
6. DEVELOPMENT PLAN: Developer will produce a development plan including, but not limited to:
  - a. Development feasibility analysis;
  - b. Development schedule;
  - c. Development team;
  - d. Financing plan;
  - e. Pro forma operating budget;
  - f. Sources and uses of construction financing proceeds;
  - g. Sources and uses of permanent financing proceeds;
  - h. Interim financing cash flow projection;
  - i. 30-year cash flow projection; and
  - j. Predevelopment budget.

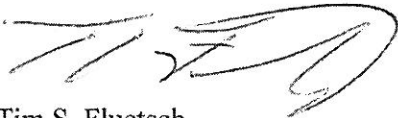
From time to time Developer may propose changes to the Development Plan as circumstances changes.
7. DEVELOPER REIMBURSEMENTS: At the close of the construction loan, Developer will be reimbursed out of loan proceeds and/or investor limited partnership capital proceeds for all predevelopment funds advanced.
8. DEVELOPER FEE: Developer will be paid a Developer Fee equal to:

- a. The first \$500,000 in cash Developer Fee paid to the project;
  - b. 100% of the net project cash flow (after project costs, debt service and investor fees) until the conversion to the permanent loan; and
  - c. Then 50% of the deferred Developer Fee paid to the project until the expiration of the Developer's Guarantees.
  - d. Any Developer Fee earned by the project after the payments above to the Developer shall be paid to YCH.
9. TAX EXEMPT BOND ISSUER: Yolo County Housing ("YCH") or California Affordable Housing Agency ("CAHA") will be the issuer of the tax-exempt bonds that will be used to finance the acquisition and rehabilitation of the Property. AHA shall be paid its customary fees as Issuer.
10. PROPERTY MANAGEMENT: Yolo County Housing or its affiliate shall be the property management company. The property management company will earn a management fee not exceeding 5% of collected revenues.
11. GENERAL CONTRACTOR: The General Contractor will be Precision General Commercial Contractors, Inc., a California corporation. The General Contractor will be paid for general requirements, profit and overhead an amount equal to 14% of the construction budget. If a payment and performance bond is required, the construction budget will include the fee for such bond.

It is understood and agreed that the foregoing outline is not a binding agreement. Furthermore it is understood and agreed that the purpose of this letter of intent is solely to outline acceptable terms by which the parties may choose to draft a Development Agreement which will be mutually acceptable to both parties.

If the above terms are acceptable to YCH, please indicate below with YCH's signature by July 9, 2010.

Sincerely,



Tim S. Fluetsch  
Vice President - Acquisitions

AGREED AND ACCEPTED:  
Yolo County Housing

By: \_\_\_\_\_  
Name

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## **Dawson Holdings, Inc.**

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300 Turney Street, Second Floor  
Sausalito, California 94965  
415-332-8393 Fax 415-332-8391

8388 Robidoux Road  
Sandy, Utah 84093  
801-733-6111 Fax 801-733-5481

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**Dawson Holdings, Inc. (“DHI”)** acquires properties with Section 8 contracts, existing FHA or HUD mortgage financing, or expiring low-income housing tax credits, as well as conventional properties suitable for conversion to affordable rental housing for low-income households.

Dawson Holdings, Inc. is an experienced affordable housing developer, as follows:

- DHI has used tax-exempt bonds and low-income housing tax credits to acquire and refurbish 29 affordable multi-family properties, containing 4,027 apartment units.
- We are experienced in closing on properties with Section 8 contracts and working through the required HUD approval process.
- Our general contractor affiliate has refurbished over 30,000 apartment units in 15 states.

There are several advantages to using tax-exempt bonds and low-income housing tax credits:

- Tax-exempt bonds bear a lower interest rate than conventional taxable debt with comparable maturities.
- DHI’s tax-exempt bond and low-income housing tax credit investors are debt-service-coverage oriented and not loan-to-value constrained.
- DHI’s low-income housing tax credit investors are tax-savings oriented and not sensitive to cash yields.
- To meet the requirements of the tax-exempt bond and low-income housing tax credits programs, DHI provides for a rehabilitation budget as part of every acquisition.

### **References**

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Accountant, CPA

Max Hunt  
Loveridge Hunt & Co., CPAs  
11100 NE 8th Dr., Ste 410  
Bellevue, Washington 98004  
ph. 425-453-2088

Accountant, CPA

Jon Krabbenschmidt  
Novogradac & Co.  
246 First Street, 5<sup>th</sup> Floor  
San Francisco, California 94105  
ph. 415-356-8009

Legal Counsel

Kyle Arndt  
Bocarsly, Cowan, Esmail & Arndt LLP  
633 West Fifth Street, 70<sup>th</sup> Floor  
Los Angeles, California 90071  
ph. 213-239-8048

Lender

John Chan  
US Bank  
621 Capitol Mall, Suite 800  
Sacramento, California 95814  
ph. 916-498-3803

Public Finance Agency

Clarke Howatt, Public Finance Director  
Association of Bay Area Governments  
101 Eighth Street  
Oakland, California 94607  
Ph. 510-464-7932

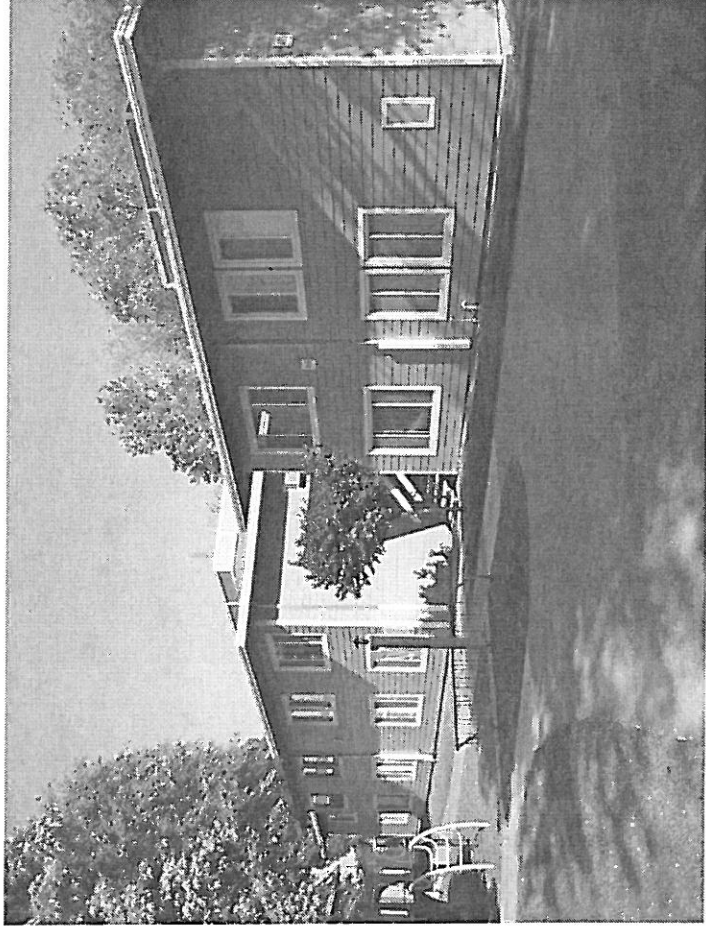
Redevelopment Agency  
 Christine Groth Weichert  
 Sacramento Housing & Redevelopment Agency  
 630 I Street, 2<sup>nd</sup> Floor  
 Sacramento, California 95814  
 Ph. 916-440-1353

**DHI Property Portfolio**

1	Pier Park	Portland,	OR	164
2	Plaza Mendoza	Fresno,	CA	132
3	Liberty Village	Richmond,	CA	100
4	Lion Villas	San Jose,	CA	272
5	Willow Pointe	Sacramento,	CA	210
6	Delta View	Antioch,	CA	205
7	Countrywood Village	Sacramento,	CA	292
8	Park Manor	Hayward,	CA	80
9	Florin Meadows	Sacramento,	CA	244
10	Rancho Cordova	Rancho Cordova,	CA	95
11	Arbor Square	Lompoc,	CA	125
12	Bryte Gardens	West Sacramento,	CA	108
13	Heritage Plaza	Redding,	CA	180
14	Sunnyslope	Sacramento,	CA	31
15	College View	Marysville,	CA	88
16	Unity Estates	Sanger,	CA	88
17	Tracy Village	Tracy,	CA	72
18	Willow Tree	Sacramento,	CA	108
19	Rosswood Manor	Sacramento,	CA	97
20	Yuba Gardens	Marysville,	CA	120
21	Kings Gardens	Hanford,	CA	100
22	Park Hill	Hayward,	CA	109
23	Olive Tree	Livingston	CA	86
24	Tracy Garden	Tracy,	CA	88
25	Casa de Angelo	Sacramento,	CA	100
26	Broadway Senior	Sacramento,	CA	120
<b>Total</b>				<b>3,414</b>

# Dawson Holdings, Inc.

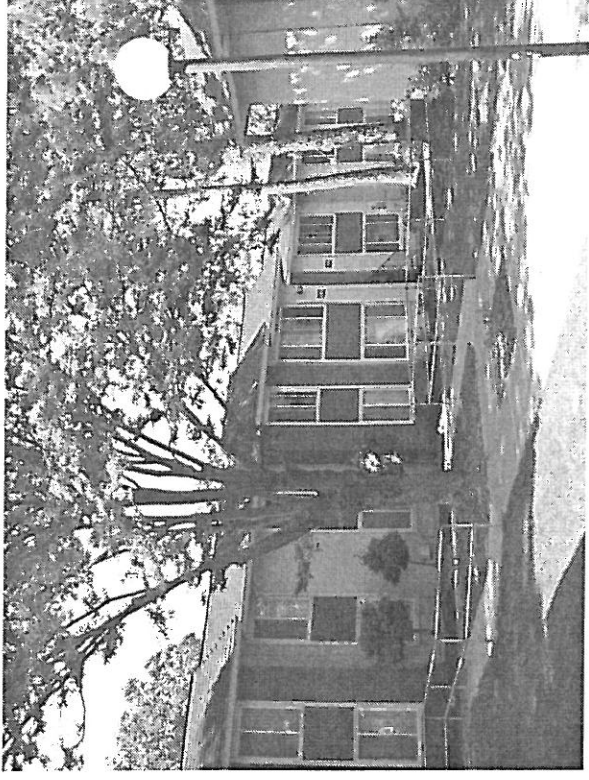
- Experienced affordable rental housing developer
- California-based
- Started in 1994
- Privately-held
- 26 properties, 3,414 units
- 25 properties, 3,250 units in California





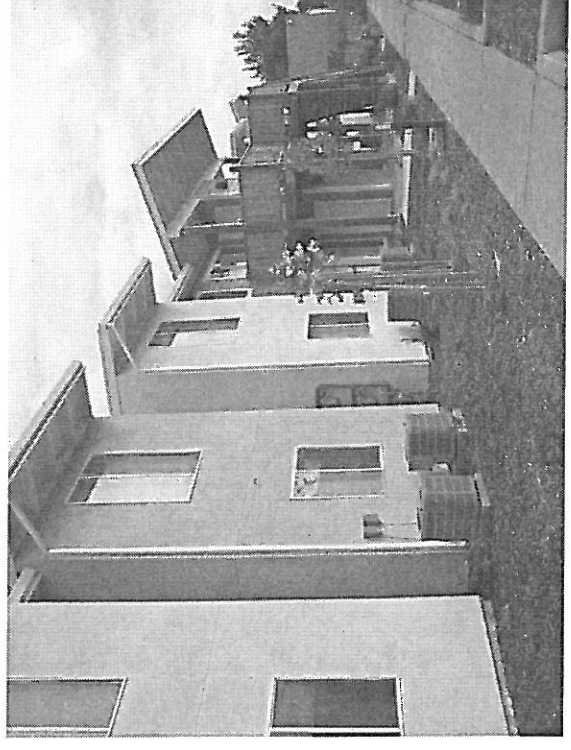
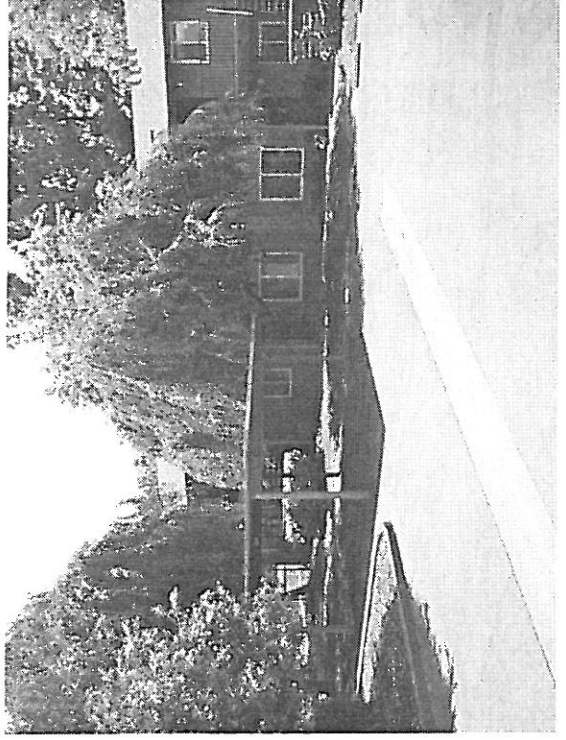
# Objectives

- Create value for the community
  - Create long-term affordability
  - Improve living environment for residents
  - Improve safety environment for residents and neighborhood
- Create sustainability
  - Lower operating costs
  - Lower capital costs



# California Portfolio

County	# Properties	%	# Units	%
Bay Area	5	20%	766	24%
Central Valley	6	24%	566	17%
Sacramento	12	48%	1,613	50%
Other	2	8%	305	9%
<b>Total</b>	<b>25</b>	<b>100%</b>	<b>3,250</b>	<b>100%</b>

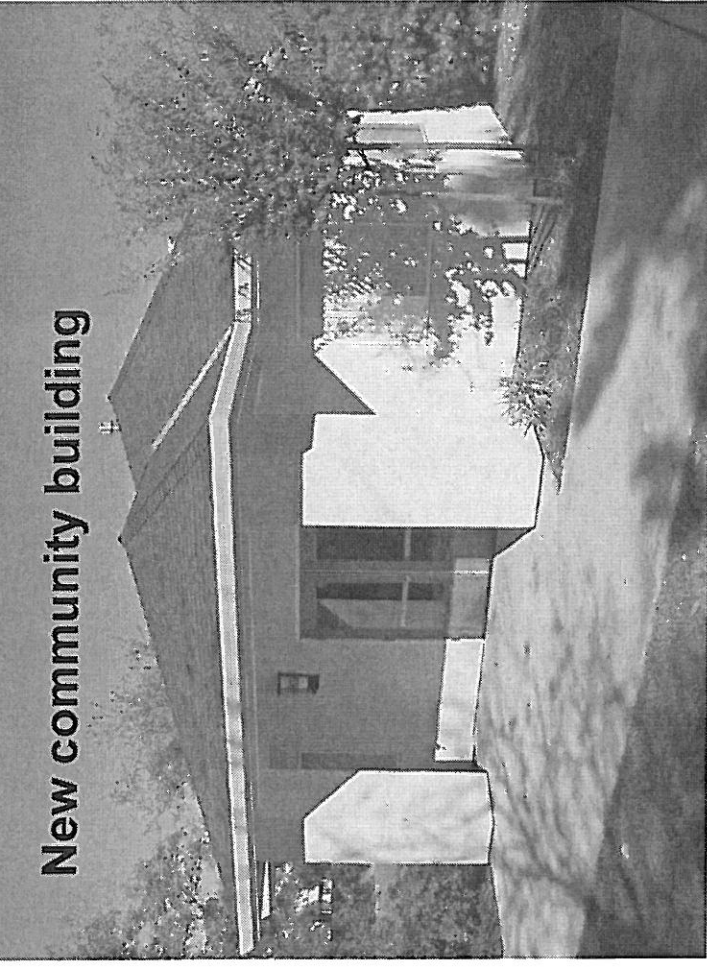
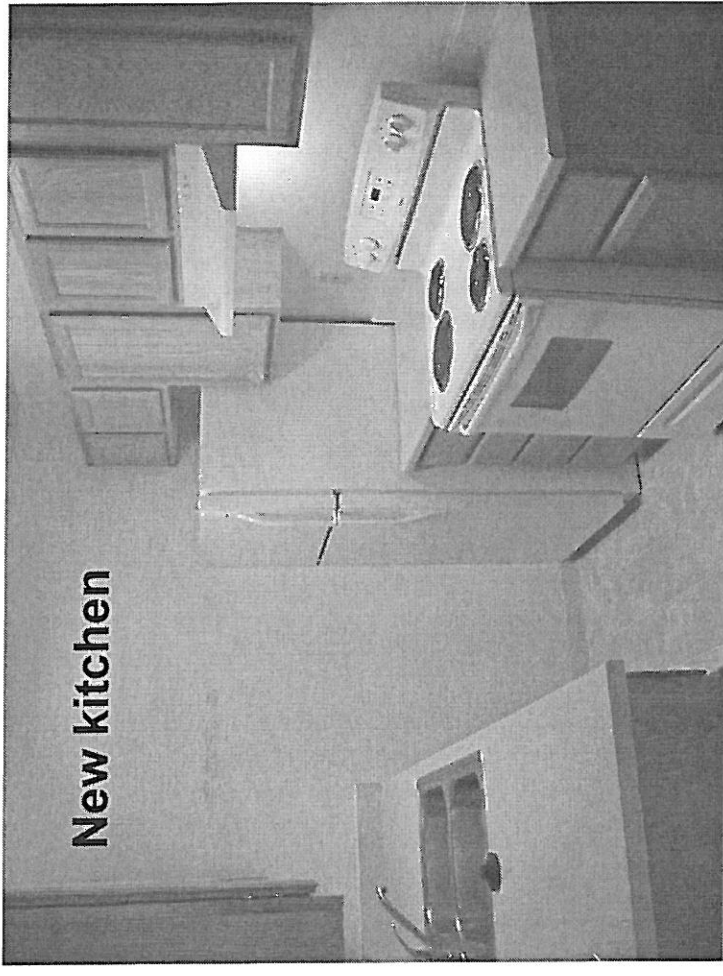


# Typical Scope of Rehab

- Replace/upgrade mechanical/HVAC systems
- Replace/upgrade plumbing systems
- Replace/upgrade electrical systems
- Address any seismic issues
- Address any environmental issues
- New stairway and balcony railings
- Install new exterior siding
- Install new dual pane vinyl-clad windows
- Replace/upgrade appliances
- Replace/upgrade kitchen and bathroom cabinets and countertops
- Upgrade landscaping and fencing
- Repair parking and driveway areas
- Replace carpets, vinyl flooring

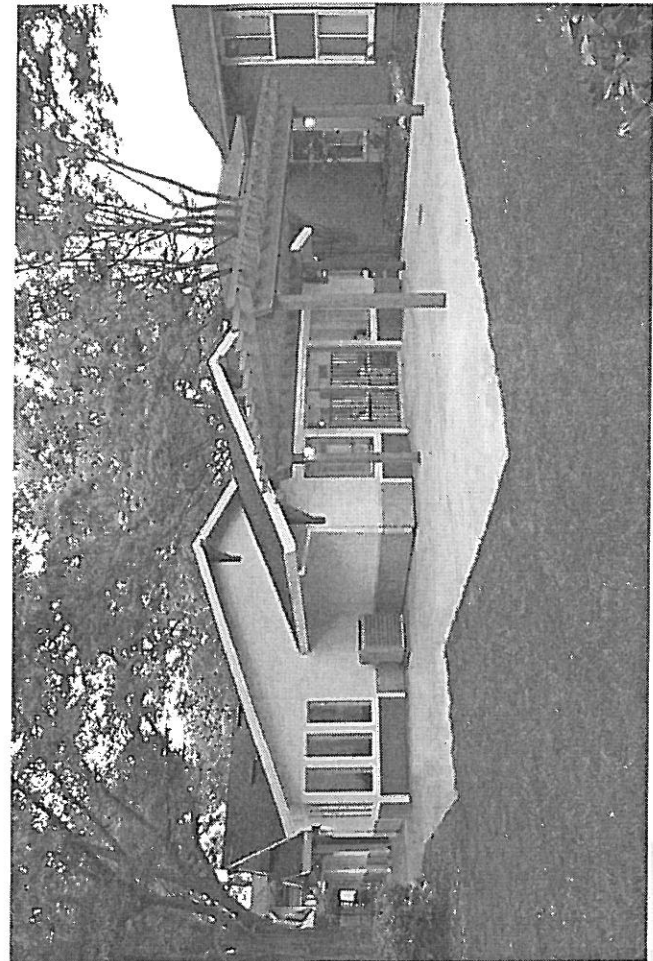
# Property Rehabilitation

1. Fix life safety issues
2. Address environmental issues
3. Fix key building systems
4. Install utility saving items
5. Improve street appeal
6. Update interiors
7. Upgrade unit amenities





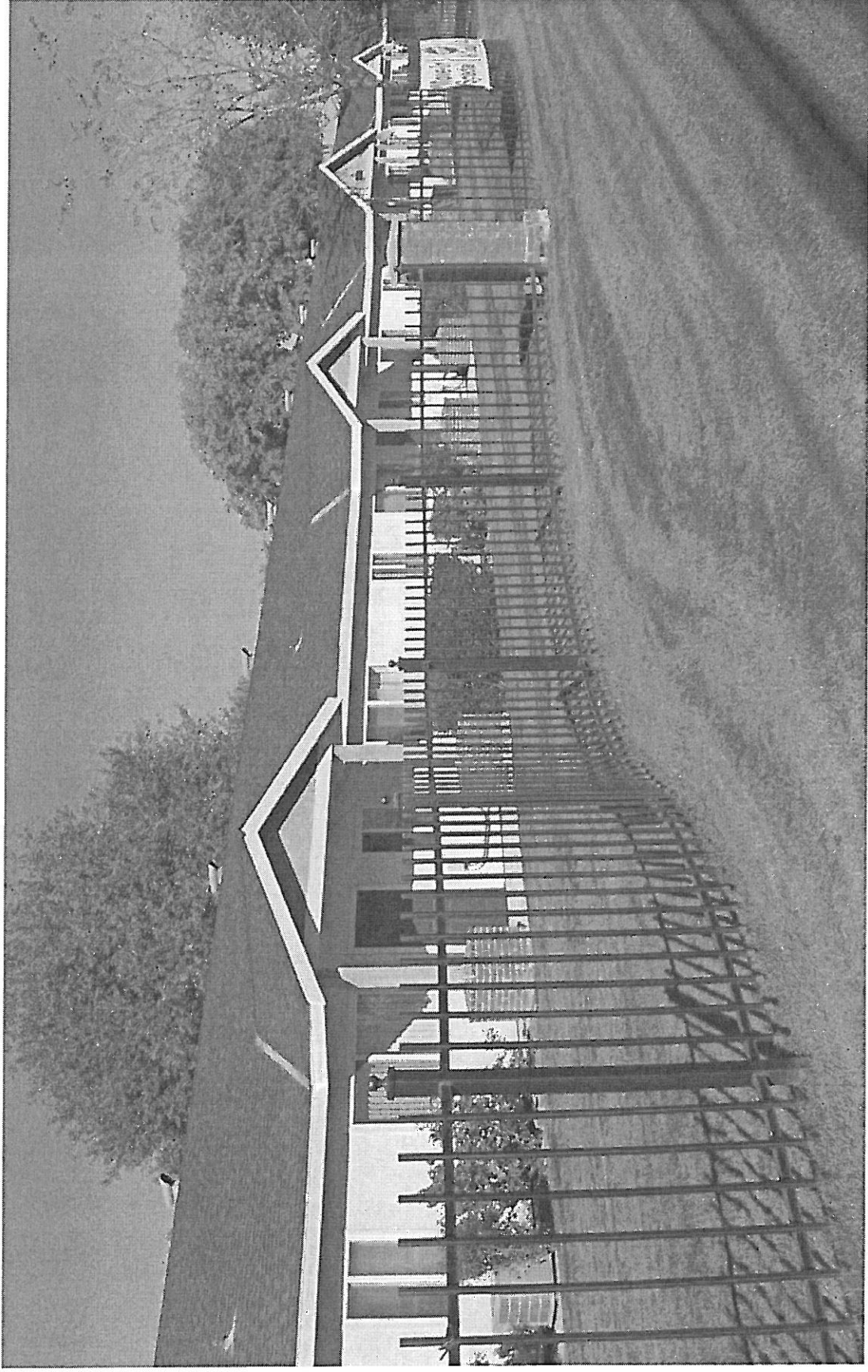
**Remodeled kitchen**



**New community center**



# New fencing and exterior façade



**DFA DEVELOPMENT, LLC. / FRED CONSULTING ASSOCIATES**  
**P.O. BOX 45 / 505-A SAN MARIN DRIVE, SUITE 120B**  
**NOVATO, CA 94948 / 94945**  
**TEL: (415) 898-1750 FAX: (415) 898-0789 CELL: (415) 595-4547**  
**E-MAIL: DANNYFRED@VERIZON.NET**

**DEF DEVELOPMENT, LLC (DFA) and FRED CONSULTING ASSOCIATES (FCA)** have provided planning and development consulting services to public agencies, non-profit organizations and private firms since 1982. Concentrating most of its effort in the affordable housing arena, DFA/FCA has served as financial advisor/development consultant and/or co-developer with these agencies in determining the appropriate focus for their efforts in providing affordable housing and subsequently designing and implementing programs to meet those objectives. Current developments are located throughout California, Oregon and Hawaii.

**DANIEL FRED** is the Sole Member of DFA Development, LLC and Principal of FCA. He has extensive financial advisory expertise as well as a broad range of experience in all areas of housing development, including finance, project feasibility and market analysis, program design, land use planning (entitlement permits), and project coordination. Prior to his establishing DFA Development, LLC and Fred Consulting Associates, Mr. Fred served as Director of Community Development for the City of Galveston, Texas and Director of Housing Programs for the City of Palo Alto, California.

A similar project to the Crosswoods Apartment Development (Woodland) was an acquisition/rehab of College Manor Apartments which was a HUD 236 development with project based Section 8. Mr. Fred served as Development Consultant to California Affordable Housing Agency (CAHA) in securing financing from the City of Rocklin, refinancing the existing HUD debt with a tax-exempt loan from Bank of America, securing low-income housing tax credits and overseeing the construction phase with the project architect. In his capacity with DFA Development, LLC as a developer, Mr. Fred has recently completed an acquisition/rehab development of 121 affordable apartments under the USDA-RD 515 program. In addition to assuming the 515 loans from USDA, the development utilized local funding, a tax-exempt commercial bank loan and low-income housing tax credits. In this development project, Mr. Fred handled all of the finances related to the project and worked on all aspects of land use entitlements. In addition, he oversaw the work of architects, engineers, contractors and other professionals involved in the construction of the project.

Of note in recent years in his consulting role, Daniel Fred has been retained by Housing Authorities, cities, counties and housing development corporations interested both in restructuring their existing debt and in financing the construction of new affordable housing and the infrastructure serving that housing. Specifically in the new construction and acquisition category, Mr. Fred has served as financial advisor in accessing 9% low income housing tax credits as well as 4% low income housing tax credits together with private activity mortgage revenue bonds. This work also has involved securing the financing from a variety of other funding sources (e.g., USDA/RD 514 and 515 programs, 501[c]3 bonds, CalHFA, HOME, CDBG, Federal Home Loan Bank's Affordable Housing Program, private foundations and private lenders). Mr. Fred also has served as project director in many of the transactions in which he served as financial advisor. His responsibilities included all applications to funding entities (e.g., California Tax Credit Allocation Committee [tax credits], California Debt Limit Allocation Committee [bonding authority], USDA/RD 514 and 515, HUD, California Department of Housing and Community Development, local redevelopment agencies, and related sources). With each of these sources of financing, Mr. Fred's responsibilities included all elements related to closing the transaction— from the negotiations agencies on terms of their loans and with equity investors (limited partners) on terms and pricing of the partnership to securing construction and permanent financing from lenders. All financing involved the coordination of fund approval and release from lenders and investors. Negotiations with the respective cities and credit agencies and coordination with the underwriters and all attorneys were also Mr. Fred's responsibilities.

Mr. Fred currently serves as financial advisor to a number of housing authorities in California and is responsible for evaluating and advising the Housing Authority staffs and Boards of Commissioners on all of their development projects. He has assisted these housing authorities in the disposition and demolition of outdated public housing and the redevelopment of the sites with contemporary housing developments. When a Housing Authority embarks on projects, Mr. Fred's role is to assist the staff with all financial aspects of those developments. In addition, he has been retained by city and county government agencies to advise them on how best to utilize their funding sources and how to re-structure projects when and if a project fails to perform.

Mr. Fred holds a B.A. degree in Anthropology from the University of California at Berkeley (1972) and a Masters in City and Regional Planning from Harvard University (1974).

**QUALIFICATIONS AND REFERENCES**  
**DFA DEVELOPMENT, LLC AND FRED CONSULTING ASSOCIATES**

- Mr. Nick Benjamin, Board Member  
California Affordable Housing Agency  
c/o Housing Authority of the City of Madera  
205 North "G" Street  
Madera, CA 93637  
(559) 674-5698 x1223  
Mr. Fred served as Development Consultant to California Affordable Housing Agency (CAHA) in securing financing from the City of Rocklin, refinancing the existing HUD debt with a tax-exempt loan from Bank of America, securing low-income housing tax credits and overseeing the construction phase with the project architect. In his capacity with DFA Development, LLC as a developer,
  
- Mr. Randy Coats, Executive Director  
Golden Empire Housing Development, Corp.  
601 24th Street, Suite B  
Bakersfield, CA 93301  
661-631-1571 x.2105  
FCA currently is serving as financial advisor to the Housing Authority and G.E.A.H.I. in their roles as both Developer/General Partner and Consultant for a number of developments throughout the County of Kern. In all projects, Danny Fred was responsible for the TCAC applications as well as coordination of all financing from other funding sources. Mr. Fred also has served as financial advisor since June 2000 for the Housing Authority on all of its affordable housing developments.
- Mr. Stephen Pelz, Executive Director  
Housing Authority of the County of Kern  
601 24th Street  
Bakersfield, CA 93301  
661-631-1571 x. 2005
  
- Mr. Wes Weir Executive Director / Mr. Robert Morelli, Executive Director (retired)  
Housing Authorities of the City of Eureka and the County of Humboldt  
735 West Everding St.  
Eureka, CA 95501  
(707) 443-4583 ext. 224  
FCA is served as financial advisor to the Housing Authority in its role as Developer/General Partner to structure the rehabilitation of 50 units of affordable housing through the sale of the project and rehabilitation by a 501(c)3. The non-profit utilized 4% tax credits, tax-exempt financing, and Redevelopment set-aside funds to complete the project.



- Mr. Nick Benjamin, Executive Director  
Housing Authority of the City of Madera  
205 North "G" Street  
Madera, CA 93637  
(559) 674-5698 x1223  
FCA served as financial advisor to the Housing Authority in its role as Developer/General Partner to structure the rehabilitation of 76 units of affordable housing for seniors through the sale of the project and rehabilitation by a 501(c)3. The non-profit utilized 4% tax credits, tax-exempt financing, and Redevelopment set-aside funds to complete the project.
  
- Mr. Mike Pucci, Executive Director  
Housing Authority of the City of Alameda  
701 Atlantic Avenue  
Alameda, CA 94501  
(510) 747-4320  
FCA is currently serving as financial advisor to the Housing Authority in evaluating the feasibility of specific developments in the City of Alameda. The Housing Authority has land they hope to develop and developers often approach the Housing Authority to co-develop with them. FCA works with the staff in evaluating proposals and drafting proformas to determine project feasibility.
  
- Mr. Pat Newman, Executive Director  
Wasco Affordable Housing, Inc.  
1406 7th Street  
Wasco, CA 93280  
661-758-0566  
FCA currently is serving as financial advisor to Wasco Affordable Housing, Inc. on a number of affordable housing developments. El Mirage Apartments and Sunset Villa Apartments are two completed family projects which utilized 4% low income housing tax credits with USDA/RD 514, Joe Serna Jr. Farmworker Housing Grant funds, HOME funds and tax-exempt bonds. In addition, Central Avenue Senior Housing is a 42-unit development for retired and senior farmworkers now under construction which utilized HCD Predevelopment funds, USDA/RD and Joe Serna funding. FCA was responsible for applications to all funding entities as well as coordination of the syndication of the tax credits and construction financing.

- ☐ Mr. Bruce Alfano, Executive Director  
Rural Communities Housing Development Corporation  
499 Leslie Street  
Ukiah, CA 95482  
(707) 463-1975

Mr. Fred currently serves as financial advisor and development consultant to RCHDC, a 501(c)3 housing development corporation located in Ukiah, CA. A project completed in the spring 2004 was the acquisition and rehabilitation of three (3) at-risk USDA 515 properties in Mendocino County in which RCHDC utilized 4% low income housing tax credits with tax-exempt bonds and local resources. A second similar project (three properties) was completed in December 2007. Under this program and with USDA/RD and HUD rental assistance in place, permanent affordability is assured.

- ☐ Mr. Rudy Tamayo, Deputy Director  
Contra Costa County Housing Authority  
3133 Estudillo Street  
Martinez, CA 94553  
925) 957-8019

Mr. Fred served as financial advisor to the Housing Authority of the County of Contra Costa in the disposition of 86 units of public housing and the development of 180 additional family units with low-income housing tax credits and HOME funds. The development was completed and placed in service in the fall 2004 and is currently 100% leased.