

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 10, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$39,500,000

Project Information:
Name: Icon on Rosecrans Apartments
Project Address: 14135 Cerise Avenue
Project City, County, Zip Code: Hawthorne, Los Angeles, 90250

Project Sponsor Information:
Name: Hawthorne Pacific Associates, LP (TPC Holdings V, LLC & TELACU Homes, Inc.)
Principals: Caleb Roope, Melinda Rex, Zack Deboi & Denise Carter for TPC Holdings V, LLC; John Clem, Tom Provencio, Michael Lizarraga & Paul Samuel for TELACU Homes, Inc.
Property Management Company: Barker Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: California Bank and Trust (const.) & ALC Hawthorne, LP (perm.)
TEFRA Adoption Date: October 14, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 126, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed Project will be located on approximately 1.69 acres in Hawthorne and will consist of a single elevator-served four story structure over a 263 space single story concrete podium parking structure. The project will house 48 two-bedroom units, 66 three-bedroom units and 12 four-bedroom units (126 total tenant units) and a single three-bedroom manager's unit. All tenant units will be income restricted; 13 units at 50% AMI and 113 units at 60% AMI. Each unit will have central heat/AC, blinds, carpeting, a coat closet, a storage closet, patio/balcony, high-speed internet hook-up, refrigerator, stove, dishwasher and garbage disposal. Community amenities include on-site management, community room with TV and kitchen, exercise room, computer room, community laundry rooms, three courtyards with playground equipment and picnic areas, perimeter fence and surveillance/security system. Construction is expected to start in early 2015 with completion in early 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (13 units) restricted to 50% or less of area median income households.
90% (113 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 44,423,137
Estimated Hard Costs per Unit: \$ 267,513 (\$33,706,594 /126 units)
Estimated per Unit Cost: \$ 352,565 (\$44,423,137 /126 units)
Allocation per Unit: \$ 313,492 (\$39,500,000 /126 units)
Allocation per Restricted Rental Unit: \$ 313,492 (\$39,500,000 /126 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 39,500,000	\$ 24,800,000
Deferred Developer Fee	\$ 2,500,000	\$ 700,000
LIH Tax Credit Equity	\$ 1,787,816	\$ 18,923,137
Deferred Costs	\$ 635,321	\$ 0
Total Sources	\$ 44,423,137	\$ 44,423,137
Uses of Funds:		
On & Off Site Costs	\$ 1,905,000	
Hard Construction Costs	\$ 31,801,594	
Architect & Engineering Fees	\$ 700,000	
Contractor Overhead & Profit	\$ 2,556,528	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 844,085	
Capitalized Interest	\$ 550,000	
Other Soft Costs (Marketing, etc.)	\$ 3,565,930	
Total Uses	\$ 44,423,137	

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as private placement transactions. California Bank & Trust will purchase \$28,000,000 in Series A bonds and AHLC Hawthorne, LP will purchase \$11,500,000 in Series B bonds. During the 24 month construction phase, the construction loan funded by the Series A bonds will be interest-only at a monthly variable rate equal to the 30-day LIBOR rate plus 2.25%. The Series A construction loan will be fully recourse to the borrower and will be secured by a first deed of trust. Upon conversion to permanent phase, the Series A construction loan will be paid down to \$13,300,000 using low income housing tax credit equity. The Series A permanent loan will have a 15 year term and 35 year amortization rate and will bear interest at a variable rate equal to the 15-year interpolated SWAP rate plus 2.65%, adjusted by a tax exempt factor of .82 and subject to a floor of 4.7%. The Borrower may elect to forward rate lock the permanent loan interest rate for a period of up to 30 months; in which case a premium of 63 bps will be added to the indexed rate. The Series A permanent loan will be non-recourse to the Borrower and will be secured by a first deed of trust. The Series B bonds will fund a loan having a 40 year term. The Series B loan will be reimbursable from 75% of residual receipts, will bear interest at a fixed rate of 5%, will be non-recourse to the Borrower and will be secured by a subordinate lien.

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: 55 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$39,500,000 in tax exempt bond allocation on a carryforward basis.

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]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	55

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.