

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 16, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Brian Clark*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$20,840,000

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**Project Information:**  
**Name:** Copper Square Apartments  
**Project Address:** NW corner of 30th Avenue West and West Avenue I  
**Project City, County, Zip Code:** Lancaster, Los Angeles, 93536

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**Project Sponsor Information:**  
**Name:** Copper Square Apartments, LP (Copper Square GP, LLC and  
Hearthstone CA Properties I, LLC)  
**Principals:** Darin Davidson for Copper Square GP, LLC; Socorro Vasquez,  
Velma de la Rosa, Juan Maldonado, Eugenia Guzman and Carl  
Domiguez for Hearthstone CA Properties I, LLC  
**Property Management Company:** FPI Management, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Citibank, NA (const.)  
**Credit Enhancement Provider:** East West Bank (letter of credit, const.)  
**Private Placement Purchaser:** Citibank, NA (perm.)  
**TEFRA Adoption Date:** August 11, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 201, plus 3 manager units  
**Type:** New Construction  
**Type of Units:** Family

The proposed Project will be constructed on a 13.6 acre portion of a 19.48 acre vacant parcel in central Lancaster. The remaining acreage is reserved for future phased development. The Project, which will consist of 9 three-story residential buildings, a single-story clubhouse building and 396 parking spaces; will house 201 tenant units (39 one-bedroom units, 142 two-bedroom units and 20 three-bedroom units) and 3 manager's units (1 one-bedroom unit, 1 two-bedroom unit and 1 three bedroom unit). All tenant units will be income restricted; 21 units at 50% Area Median Income ("AMI") and 180 units at 60% AMI. Unit amenities will include refrigerator, microwave oven, range/oven, dishwasher, ceiling fans, clothes washer and dryer, patio/balcony, carpeting, blinds and central heat/AC. Community amenities will include a clubhouse, business center/computer lab, basketball court, exercise facility, playground, on-site management, recreation and BBQ area, swimming pool and a media/theater room. Construction is expected to begin in December 2015 with completion in February 2017.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
10% (21 units) restricted to 50% or less of area median income households.  
90% (180 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2 & 3 bedrooms

The following service Amenities will be provided: instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year and health and wellness services and programs for a minimum of 100 hours per year.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	35,234,449
<b>Estimated Hard Costs per Unit:</b>	\$	105,713 (\$21,248,379 /201 units)
<b>Estimated per Unit Cost:</b>	\$	175,296 (\$35,234,449 /201 units)
<b>Allocation per Unit:</b>	\$	103,682 (\$20,840,000 /201 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	103,682 (\$20,840,000 /201 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 20,840,000	\$ 17,800,000
Subordinate Loan	\$ 0	\$ 2,040,000
Operating Income	\$ 574,865	\$ 574,865
LIH Tax Credit Equity	\$ 8,141,843	\$ 13,569,733
Deferred Costs	\$ 5,677,741	\$ 1,249,851
<b>Total Sources</b>	<b>\$ 35,234,449</b>	<b>\$ 35,234,449</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 1,000,000
On & Off Site Costs	\$ 3,805,081
Development Impact Fees	\$ 4,045,536
Hard Construction Costs	\$ 17,443,298
Architect & Engineering Fees	\$ 806,000
Contractor Overhead & Profit	\$ 680,000
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 1,266,575
Construction and Permanent Financing	\$ 2,354,953
Reserves	\$ 537,498
Legal	\$ 80,000
Other	\$ 715,508
<b>Total Uses</b>	<b>\$ 35,234,449</b>

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**Description of Financial Structure and Bond Issuance:**

During the construction phase, East West Bank will provide a letter of credit and Citibank, NA will publically sell variable rate tax-exempt bonds, using the letter of credit to credit enhance the bonds. Upon conversion to permanent phase, the bonds will be purchased as a private-placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 36 months, with a fixed interest rate equal to 2.00% plus any fees charged by the FHLB (estimated at 6 b.p.) and an underwritten rate of 3.25%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed interest rate equal to the sum of the 10 year maturity Treasury Bond rate plus a spread of 2.51%. An underwritten rate was not provided for the permanent phase financing.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 65 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$20,840,000 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	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	9
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	6
Community Revitalization Area	15	15	0
Site Amenities	10	10	0
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>65</b>

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.