

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**October 21, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$36,800,000

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**Project Information:**  
**Name:** Bouquet Canyon Senior Apartments  
**Project Address:** 26705 Bouquet Canyon Road  
**Project City, County, Zip Code:** Santa Clarita, Los Angeles, 91350-2322

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**Project Sponsor Information:**  
**Name:** To be formed (Vintage Housing Holdings, LLC and Hearthstone CA Properties I, LLC)  
**Principals:** Michael K. Gancar for Vintage Housing Holdings, LLC;  
Socorro Vasquez, Juan Maldonado and Velma de la Rosa 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:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Adopted Date:** September 8, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 261, plus 3 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens

The proposed project is an existing development located in the City of Santa Clarita, County of Los Angeles. The site acreage is approximately 8.87 acres. It is a 264-unit affordable age-restricted senior housing development. The project consists of one three-story building that includes management and leasing offices, a community room with a small dining area, two (2) large lobby areas, including a mailroom, four (4) elevators, eight (8) common use rooms which include a full service beauty salon, library and a gym, a complete commercial kitchen, with two (2) serving areas, meeting rooms, and eight (8) community laundry facilities. Each level has at least 20 individual storage lockers that are rented to tenants. The open interior courtyard area includes a pool, spa and barbeque area, a gazebo, and a putting green. The building is of wood frame construction on reinforced concrete slab foundation with stucco siding and a flat roof. The scope of the rehabilitation will include new flooring coverings, exterior and interior paint, energy efficient appliances, water conserving plumbing fixtures, sinks, kitchen lighting, dual pane windows; the replacement of kitchen cabinets and countertops; conversion of some tubs to walk-in showers; rehabilitation of multipurpose room, billiard room, small dining room, dog park, all social rooms; etc. Rehabilitation is scheduled to begin November 2015 and it is planned to take approximately 12 months to rehabilitate the site and units in this project with an ending date of November 2016.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

10% (27 units) restricted to 50% or less of area median income households.

90% (234 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1 & 2 bedrooms

The proposed project will include instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year as well as 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>	\$	48,421,286	
<b>Estimated Hard Costs per Unit:</b>	\$	21,073	(\$5,500,000 /261 units)
<b>Estimated per Unit Cost:</b>	\$	185,522	(\$48,421,286 /261 units)
<b>Allocation per Unit:</b>	\$	140,996	(\$36,800,000 /261 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	140,996	(\$36,800,000 /261 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 36,800,000	\$ 28,202,224
Taxable Bond Proceeds	\$ 2,186,077	\$ 2,186,077
Developer Equity	\$ 645,321	\$ 0
Deferred Developer Fee	\$ 2,500,000	\$ 2,155,574
LIH Tax Credit Equity	\$ 6,289,888	\$ 15,877,411
<b>Total Sources</b>	\$ 48,421,286	\$ 48,421,286

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 36,000,000
Hard Construction Costs	\$ 5,500,000
Architect & Engineering Fees	\$ 150,000
Survey & Engineering	\$ 200,000
Contractor Overhead & Profit	\$ 287,500
Developer Fee	\$ 2,500,000
Relocation	\$ 227,500
Cost of Issuance	\$ 50,000
Capitalized Interest	\$ 927,475
Legal Fees	\$ 174,500
Construction & Permanent Financing	\$ 1,311,063
Contingency Cost	\$ 289,375
Reserves	\$ 645,321
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 158,552
<b>Total Uses</b>	\$ 48,421,286

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

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 24 months. The loan will have two tranches. Tranche A will be in the amount of \$30,170,000 with a fixed interest rate equal to the sum of the 17 year LIBOR swap index plus a spread of 1.75%. Tranche B will be in the amount of \$7,380,000 with a variable interest rate equal to one month LIBOR plus a spread of 2.50%. The rate will adjust monthly. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years with one six month option to extend. The interest rate will be the same as Tranche A of the construction period. The bonds will be issued by the California Statewide Communities Development Authority.

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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:** 58 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$36,800,000 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]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>58</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.