

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 28, 2011
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$18,445,197

Project Information:
Name: Satellite Central & Doh On Yuen Apartments
Project Address: 540 21st Street and 211 8th Street
Project City, County, Zip Code: Oakland, Alameda, 94612 & 94607

Project Sponsor Information:
Name: Satellite First Communities LP (Satellite First Communities LLC)
Principals: Ryan Chao, M. Brant Watson and Ronald Nelson
Property Management Company: Satellite Housing, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: June 7, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 196, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed Project is a scattered site project consisting of two sites. The Satellite Central site is an existing 10-story structure containing 152 total units for low income seniors. There are 117 studios and 35 one bedroom units, with one unit for staff. The Doh On Yuen site is also an existing six-story structure which contains 45 total units for low income seniors. This site consists of 35 studios and 10 one bedroom units, with one studio used as a community room and one unit used as an office. Construction on both sites is expected to begin January 2010 and scheduled for completion December 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (21 units) restricted to 50% or less of area median income households.
89% (175 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The project will provide educational classes and a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 33,492,334
Estimated Hard Costs per Unit: \$ 58,138 (\$11,395,088 /196 units)
Estimated per Unit Cost: \$ 170,879 (\$33,492,334 /196 units)
Allocation per Unit: \$ 94,108 (\$18,445,197 /196 units)
Allocation per Restricted Rental Unit: \$ 94,108 (\$18,445,197 /196 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 18,445,197	\$ 8,117,299
Deferred Developer Fee	\$ 406,663	\$ 406,663
Developer Equity	\$ 0	\$ 57
LIH Tax Credit Equity	\$ 271,524	\$ 12,667,370
Other (Seller Carry Back Loan & Inc. from Operations)	\$ 12,068,230	\$ 12,300,945
Total Sources	\$ 31,191,614	\$ 33,492,334

Uses of Funds:	
Acquisition Cost	\$ 4,278,030
On & Off Site Costs	\$ 61,551
Hard Construction Costs	\$ 11,333,537
Architect & Engineering Fees	\$ 730,647
Contractor Overhead & Profit	\$ 775,643
Developer Fee	\$ 1,292,934
Relocation	\$ 129,293
Cost of Issuance	\$ 75,473
Capitalized Interest	\$ 1,219,304
Other Soft Costs	\$ 13,595,922
Total Uses	\$ 33,492,334

Description of Financial Structure and Bond Issuance:

The financial structure will be a tax-exempt "Back-to-Back" loan structured Private Placement transaction through Citibank, N.A. The project will be financed using tax-exempt bonds, low income housing tax credit equity, a seller carryback loan and deferred developer fee. The construction period will be 24 months, plus one 6-month extension and will have two interest rate options: 1) variable interest rate equal to SIFMA plus a spread of 2.75%, including a 5bps servicing fee; or 2) a fixed option rate equal to a two-year SIFMA swap rate plus a spread of 3.85%. Loan proceeds will be advanced to Borrower on a draw down basis. The loan term will be for 18 years with an amortization period of 30 years with a fixed rate equal to the sum of 15 year maturity AAA bond rates as published by MMD plus a spread of 2.30%. The bonds will be issued by the California Municipal Finance Authority.

Analyst Comments:

None

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: 61.4 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$18,445,197 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]	8.4
Gross Rents	5	5	0
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	61.4

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.