

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: Crystal Alvarez

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$6,331,185

Project Information:
Name: Glenbrook Terrace Apartments
Project Address: 4030 Panama Court
Project City, County, Zip Code: Oakland, Alameda, 94611

Project Sponsor Information:
Name: Satellite First Communities, L.P. (Satellite First Communities, LLC)
Principals: Nina Marinkovich, Elizabeth Orlin, M. Brant Watson, Ronald Nelson and Ryan Chao
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: 65, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The project is a five story structure containing 66 units, one elevator, one laundry room and maintenance shops and storage rooms. A small community room and small office are on the first floor. Each unit is furnished with a stove, refrigerator, window coverings (blinds), vinyl flooring in the baths and kitchens and carpeting throughout each unit. The scope of rehabilitation will include the installation of double paned windows, a solar hot water system, roof replacement, seismic structural upgrades and facade and landscaping improvements.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (7 units) restricted to 50% or less of area median income households.
89% (58 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The project is within close proximity to shopping, recreation, medical facility and a public library. In addition, the project sponsor has committed to providing 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: | \$ | 14,895,416 | |
| Estimated Hard Costs per Unit: | \$ | 70,277 | (\$4,568,026 /65 units) |
| Estimated per Unit Cost: | \$ | 229,160 | (\$14,895,416 /65 units) |
| Allocation per Unit: | \$ | 97,403 | (\$6,331,185 /65 units) |
| Allocation per Restricted Rental Unit: | \$ | 97,403 | (\$6,331,185 /65 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 6,331,185 | \$ 6,331,185 |
| Developer Equity | \$ 0 | \$ 19 |
| Deferred Developer Fee | \$ 0 | \$ 76,396 |
| LIH Tax Credit Equity | \$ 271,524 | \$ 3,681,894 |
| Income from Operations | \$ 534,597 | \$ 534,597 |
| Seller Carry Back Loan | \$ 4,271,325 | \$ 4,271,325 |
| Total Sources | \$ 11,408,631 | \$ 14,895,416 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition Cost | \$ 4,400,000 |
| On & Off Site Costs | \$ 18,286 |
| Hard Construction Costs | \$ 4,549,740 |
| Architect & Engineering Fees | \$ 272,530 |
| Developer Fee | \$ 482,261 |
| Relocation | \$ 48,226 |
| Cost of Issuance | \$ 28,151 |
| Capitalized Interest | \$ 454,797 |
| Other Soft Costs (Marketing, etc.) | \$ 4,641,425 |
| Total Uses | \$ 14,895,416 |

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds will be purchased by Citibank, N.A. through a private placement structure. The construction loan will have a variable rate equal to SIFMA plus a spread of 2.75%, including a 5bps servicing fee for a period of 24 months. Upon conversion to permanent phase the loan will carry a fixed rate equal to the sum of 15 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor plus a spread of 2.30%. The permanent phase will have a term of 18 years and an amortization of 30 years.

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:

61 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$6,331,185 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 | 26 |
| 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 | 10 |
| Service Amenities | 10 | 10 | 10 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 8 | 8 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 118 | 98 | 61 |

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.