

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: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$4,644,534

Project Information:
Name: Park Boulevard Apartments
Project Address: 4135 Park Boulevard
Project City, County, Zip Code: Oakland, Alameda, 94602

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

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
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: 40, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

This is six story structure with 34 studio units, 6 one bedroom units, with one bedroom unit used as a community room and one bedroom unit used as an office. The complex is situated in a single family and multi-unit housing neighborhood with various commercial establishments such as restaurants, a grocery store, hardware store and a locksmith.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
15% (6 units) restricted to 50% or less of area median income households.
85% (34 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

Service amenities such as educational classes (English as a second language, computer training, etc.) and a bona fide service coordinator/social worker available to the tenants.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|-----------|------------------------------------|
| Estimated Total Development Cost: | \$ | 8,979,377 | |
| Estimated Hard Costs per Unit: | \$ | 79,435 | (\$3,177,394 /40 units) |
| Estimated per Unit Cost: | \$ | 224,484 | (\$8,979,377 /40 units) |
| Allocation per Unit: | \$ | 116,113 | (\$4,644,534 /40 units) |
| Allocation per Restricted Rental Unit: | \$ | 116,113 | (\$4,644,534 /40 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------------|---------------------|---------------------|
| Tax-Exempt Bond Proceeds | \$ 4,644,534 | \$ 2,958,018 |
| Developer Equity | \$ 0 | \$ 12 |
| Deferred Developer Fee | \$ 0 | \$ 47,013 |
| LIH Tax Credit Equity | \$ 271,524 | \$ 2,576,007 |
| Seller Carry Back Loan | \$ 2,281,276 | \$ 2,863,730 |
| Other (Income from Operations) | \$ 534,597 | \$ 534,597 |
| Total Sources | \$ 7,731,931 | \$ 8,979,377 |

| Uses of Funds: | |
|------------------------------------|---------------------|
| Land Purchase | \$ 2,350,000 |
| On & Off Site Costs | \$ 12,468 |
| Hard Construction Costs | \$ 3,164,926 |
| Architect & Engineering Fees | \$ 211,186 |
| Developer Fee | \$ 373,710 |
| Relocation | \$ 37,371 |
| Cost of Issuance | \$ 21,815 |
| Capitalized Interest | \$ 352,427 |
| Other Soft Costs (Marketing, etc.) | \$ 2,455,474 |
| Total Uses | \$ 8,979,377 |

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:

Part of portfolio submitted by Satellite Communities.

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: 71 out of 118
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,644,534 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 | 28 |
| 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 | 8 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 118 | 98 | 71 |

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.