

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: Annie Ong

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$4,411,994

Project Information:
Name: Stuart Pratt Manor Apartments
Project Address: 2020 Durant
Project City, County, Zip Code: Berkeley, Alameda, 94704

Project Sponsor Information:
Name: Satellite First Communities LP
Principals: Nina Marinkovich, Elizabeth Orlin, M. Brant Watson, Ronald Nelson, 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: 43, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The Project is a five story structure containing 44 units. There will be 28 studios and 16 one bedroom suites. The target population is low income seniors. Rehabilitation will include replacement of windows, installation of solar hot water systems, roof replacements, and other updates.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
16% (7 units) restricted to 50% or less of area median income households.
84% (36 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

There will not be any service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|-----------|------------------------------------|
| Estimated Total Development Cost: | \$ | 8,706,595 | |
| Estimated Hard Costs per Unit: | \$ | 77,065 | (\$3,313,785 /43 units) |
| Estimated per Unit Cost: | \$ | 202,479 | (\$8,706,595 /43 units) |
| Allocation per Unit: | \$ | 102,605 | (\$4,411,994 /43 units) |
| Allocation per Restricted Rental Unit: | \$ | 102,605 | (\$4,411,994 /43 restricted units) |

| | | Construction | Permanent |
|---|-----------|------------------|---------------------|
| Sources of Funds: | | | |
| Tax-Exempt Bond Proceeds | \$ | 4,411,994 | \$ 2,002,161 |
| Developer Equity | \$ | 0 | \$ 12 |
| Deferred Developer Fee | \$ | 0 | \$ 50,539 |
| LIH Tax Credit Equity | \$ | 271,524 | \$ 3,255,557 |
| Seller Carry Back Loan/Income from Operations | \$ | 3,398,327 | \$ 3,398,326 |
| Total Sources | \$ | 8,081,845 | \$ 8,706,595 |

| | |
|------------------------------------|---------------------|
| Uses of Funds: | |
| Acquisition Cost | \$ 3,950,000 |
| On & Off Site Costs | \$ 30,710 |
| Hard Construction Costs | \$ 3,069,021 |
| Architect & Engineering Fees | \$ 198,407 |
| Contractor Overhead & Profit | \$ 214,054 |
| Developer Fee | \$ 351,096 |
| Relocation | \$ 35,110 |
| Cost of Issuance | \$ 20,495 |
| Capitalized Interest | \$ 331,101 |
| Other Soft Costs (Marketing, etc.) | \$ 506,601 |
| Total Uses | \$ 8,706,595 |

Description of Financial Structure and Bond

The Project will be financed through a private placement transaction provided through Citibank, N.A. There will be a single issuance and a single construction-perm loan from Citibank. Rehabilitation is expected to take 18 months with construction and be completed by June 30, 2013. The interest rate for the permanent phase tax-exempt bonds will be set at initial bond issuance and will be equal to the sum of the MMD 15 year maturity "AAA" bond rate plus a spread of 2.30%.

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 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,411,994 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] | 0 |
| 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 | 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.