

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 14, 2011**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Annie Ong*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$18,280,030

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**Project Information:**  
**Name:** Shelter Hill Apartments  
**Project Address:** 37 Miwok Way  
**Project City, County, Zip Code:** Mill Valley, Marin , 94941

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**Project Sponsor Information:**  
**Name:** Shelter Hill, LP (Interfaith Housing Foundation)  
**Principals:** Interfaith Housing Foundation: Mary Murtagh, Alvin Bonnett  
Lynn Berard, and Laura Hall  
**Property Management Company:** EAH Inc.

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**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** September 6, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 74, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

Built in 1977, Shelter Hill Apartments is an affordable family housing community with 75 units comprised of one, two, and three bedroom units. The project will consist of 65 units at 60% or below AMI, 9 units at market rate, and 1 manager unit. The project is located on a 7.15 acre site with three residential building clusters, one community space, one maintenance building, and common area laundry facilities.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 88%  
11% (8 units) restricted to 50% or less of area median income households.  
77% (57 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2 & 3 bedrooms

The project will offer high-speed internet service and a bona fide service coordinator or social worker.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 32,413,433  
**Estimated Hard Costs per Unit:** \$ 72,360 (\$5,354,639 /74 units)  
**Estimated per Unit Cost:** \$ 438,019 (\$32,413,433 /74 units)  
**Allocation per Unit:** \$ 247,027 (\$18,280,030 /74 units)  
**Allocation per Restricted Rental Unit:** \$ 281,231 (\$18,280,030 /65 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to: 1) Mill Valley is one of the most affluent counties in California and the nation which results in high property value 2) Project is being acquired through a purchase and sale agreement using a purchase price predicated upon the appraised value of the property plus replacement reserves. Therefore, the acquisition of the property represents slightly more than half the total development uses of the project, and is the reason why total development uses exceeds \$400,000 per unit.

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 18,280,030	\$ 9,059,000
Deferred Developer Fee	\$ 0	\$ 317,460
LIH Tax Credit Equity	\$ 85,356	\$ 8,536,498
Direct & Indirect Public Funds	\$ 13,848,047	\$ 13,848,047
Other (costs deferred til perm)	\$ 200,000	\$ 652,428
<b>Total Sources</b>	<b>\$ 32,413,433</b>	<b>\$ 32,413,433</b>
<b>Uses of Funds:</b>		
Land Purchase	\$ 17,432,090	
On & Off Site Costs	\$ 452,978	
Rehabilitation Costs	\$ 4,901,661	
Architect & Engineering Fees	\$ 530,486	
Contractor Overhead & Profit	\$ 475,781	
Developer Fee	\$ 2,116,399	
Relocation	\$ 1,205,357	
Cost of Issuance	\$ 655,756	
Capitalized Interest	\$ 1,274,228	
Other Soft Costs (Marketing, etc.)	\$ 3,368,697	
<b>Total Uses</b>	<b>\$ 32,413,433</b>	

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

The project will be funded by a private placement bond purchase by Citibank, N.A. The construction period bonds will have a 24 month term and can bear interest at either a fixed or floating rate. The permanent bonds will have fixed interest rates that will be based upon market conditions at the time of closing the loan. Tranche A loan in the amount of \$3,137,295 will have a 30 year term and a 35 year amortization period with an interest rate equal to the rate on the 30 year Thompson Municipal Market Monitor (MMD) plus a spread of 1.75%. Tranche B will have a term and amortization of 20 years with a fixed rate equal to the rate on the 15 year MMD plus a spread of 2.30%.

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**Analyst Comments:**

None

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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:** 63.5 out of 118

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$18,280,030 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	23
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	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>63.5</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.