THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 15, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant:	California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: $2,000,000

The amount of allocation requested is supplemental to the $11,325,000 of allocation the Project received on September 18, 2013.

Project Information:

Name:	**Strawberry Creek Lodge Apartments**
Project Address:	1320 Addison Street
Project City, County, Zip Code:	Berkeley, Alameda, 94703

Project Sponsor Information:

Name:	Strawberry Creek Lodge, L.P. (Satellite AHA Development, Inc; Strawberry Creek Lodge Foundation)
Principals:	Mike Jacob, Scott Smith, Kaila Price, David Greensfelder, and Liz Ogbu for Satellite AHA Development, Inc.; Steven C. Carr, William Samsel, Ted Temple, Ada Burko, Patrick C. Cullinane, Susanne B. Cohen, Jordan Rose, Thomas Slocumb, and Saeeda Khan for Strawberry Creek Lodge Foundation
Property Management Company:	Sattelite Affordable Housing Associates Property Management

Project Financing Information:

Bond Counsel:	Jones Hall, A Professional Law Corporation
Private Placement Purchaser:	Citibank, N.A.
TEFRA Hearing Date:	July 16, 2013

Description of Proposed Project:

State Ceiling Pool:	General
Total Number of Units:	149, plus 1 manager unit
Type:	Acquisition and Rehabilitation
Type of Units:	Senior Citizens

The proposed acquisition and rehabilitation project is an existing 150-unit senior residential building located in the City of Berkeley. Of the 150 units, 119 will be restricted to households with incomes no greater than 60% of the area median income, 33 units will remain market rate, due to the income level of the current tenants, and 1 unit will serve as an unrestricted manager's unit. The unit mix is comprised of 120 studio units and 30 one-bedroom units. The rehabilitation will consist of the renovation, remodeling, and upgrading of the three (3) interconnected, four-story senior residential buildings. A significant portion of the approximately $5M rehabilitation budget will go toward common space upgrades, energy efficiency upgrades, and ADA upgrades.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 80%

_61%_ (91 units) restricted to 50% or less of area median income households.

_19%_ (28 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

Instructor-led educational, health and wellness services, and a bona fide service coordinator will be included as service amenities for a minimum of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	22,909,792	
Estimated Hard Costs per Unit:	$	39,391	($5,869,380 /149 units)
Estimated per Unit Cost:	$	153,757	($22,909,792 /149 units)
Allocation per Unit:	$	111,974	($2,000,000 /149 units)
Allocation per Restricted Rental Unit:	$	111,974	($2,000,000 /119 restricted units)

Sources of Funds:		Construction		Permanent
Tax-Exempt Bond Proceeds	$	13,325,000	$	3,914,357
Direct & Indirect Public Funds	$	86,000	$	1,604,367
Deferred Developer Fee	$	1,311,400	$	1,311,400
LIH Tax Credit Equity	$	170,152	$	6,230,518
Project Reserves	$	576,881	$	576,881
Other(Seller Financing /Costs deferred to Perm)	$	7,440,359	$	9,272,269
Total Sources	$	22,909,792	$	22,909,792

Uses of Funds:		
Acquisition/Land Purchase	$	8,900,000
Hard Construction Costs	$	5,869,380
Architect & Engineering Fees	$	450,000
Contractor Overhead & Profit	$	302,070
Developer Fee	$	2,500,000
Relocation	$	150,000
Cost of Issuance	$	371,136
Capitalized Interest	$	641,024
Other Soft Costs (Marketing, etc.)	$	3,726,182
Total Uses	$	22,909,792

Description of Financial Structure and Bond Issuance:

This is a private placement bond transaction with the bonds being purchased by Citibank, N.A. ("the Bank"). During construction, the interest rate of the bonds will be a floating rate based on the SIFMA Municipal Swap index plus 2.50%. The all-in rate during construction used for underwriting is 4.50%. The permanent bonds will have a fixed interest rate that will be set at construction loan closing. The bonds will be serviced by residential NOI and project-based section 8 subsidy, which is available on 76 of the 150 units. There will be two tranches on the loan. The NOI tranche will be $3,614,032 and the Section 8 tranche will be $2,337,268. Both tranches will amortize over 35 years and can be due as of year 15. The permanent period bonds will be priced at 17-year AAA bond rates plus a spread of 2.50%. Our current estimated underwriting rate is 6.00% fixed on both tranches.

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.

Recommendation:

Staff recommends that the Committee approve $2,000,000 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	35
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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
Total Points	**130**	**100**	**81**

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.