

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 16, 2016**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Devon King*

---

**Applicant:** California Municipal Finance Authority

---

**Allocation Amount Requested:**  
**Tax-exempt:** \$22,480,000

---

**Project Information:**  
**Name:** Casa Montego Apartments  
**Project Address:** 1485 Montego Street  
**Project City, County, Zip Code:** Walnut Creek, Contra Costa, 94560

---

**Project Sponsor Information:**  
**Name:** Casa Montego L.P. (Satellite Affordable Housing Associates)  
**Principals:** Ralph Hayward, Nina Marinkovich, Anthony Barron, Scott Smith for Satellite Affordable Housing Associates  
**Property Management Company:** Satellite Affordable Housing Associates Property Management

---

**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 Noticing Date:** November 10, 2015  
**TEFRA Adoption Date:** December 15, 2015

---

**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 79, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens

Casa Montego Apartments is an 80-unit senior & disabled 202, 100% Section 8 property with 20 studios, 59 one-bedroom, 1 two-bedroom units. The property is currently 100% occupied. Casa Montego was constructed in 1989. The scope of renovation includes replacing all kitchen cabinets and countertops, sinks, and faucets. Appliances and oven hoods will be replaced. New energy efficient hot water heaters will be provided. The common area forced air unit will also be replaced. The bathroom and kitchens will receive new flooring. Vanities, sinks, faucets, bath fans and floors will also be replaced. Unit tub surrounds will remain. Carpets in the units will be replaced on an as-needed basis. All the common areas will receive new carpet and flooring, new paint and new furniture where needed. All path of travel and common areas will receive full ADA upgrades. The parking lot will be repaired and resurfaced. The landscaping and outdoor sitting areas will be upgraded and modernized with new flatwork, plantings, irrigation, and play equipment. The landscaping will also include some new and expanded energy efficient exterior lighting. Siding and windows will be replaced. Roofs repaired and replaced and the entire project will be painted. The property will undergo a significant renovation and extend the property's useful life.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

75% (59 units) restricted to 50% or less of area median income households.

25% (20 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio & 1 bedroom

The proposed project will provide service amenities such as instructor led educational, health, and wellness or skill building classes along with a bona fide service coordinator for 287 hours a year.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	37,109,052	
<b>Estimated Hard Costs per Unit:</b>	\$	87,418	(\$6,906,100 /79 units)
<b>Estimated per Unit Cost:</b>	\$	469,735	(\$37,109,052 /79 units)
<b>Allocation per Unit:</b>	\$	284,557	(\$22,480,000 /79 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	284,557	(\$22,480,000 /79 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 22,480,000	\$ 9,551,000
Seller Carryback	\$ 8,127,362	\$ 8,127,362
LIH Tax Credit Equity	\$ 1,311,581	\$ 14,060,807
Deferred Developer Fee	\$ 1,749,003	\$ 1,749,003
Other(Capitalized Ground Lease Loan)	\$ 2,300,000	\$ 2,300,000
Other(Withdrawal from Project Reserves)	\$ 0	\$ 300,000
Other(Income from Operations)	\$ 0	\$ 591,865
Other(Accrued/Deferred Interest)	\$ 429,015	\$ 429,015
<b>Total Sources</b>	<b>\$ 36,396,961</b>	<b>\$ 37,109,052</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 18,258,000
Rehabilitation	\$ 8,195,614
Relocation	\$ 600,000
Construction Interest & Fees	\$ 1,641,886
Architectural Fees	\$ 375,000
Permanent Financing	\$ 77,755
Legal Fees	\$ 100,000
Reserves	\$ 805,570
Contingency Cost	\$ 1,827,265
Appraisal	\$ 12,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 966,959
Developer Costs	\$ 4,249,003
<b>Total Uses</b>	<b>\$ 37,109,052</b>

---

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

The proposed financial structure for the bond issuance will be a private placement by Citibank N.A. During the construction financing phase the loan term will be for 16 months with a variable interest rate equal to 1 month LIBOR plus a spread of 2.00%. During the permanent financing phase, the loan term will be for 32 years with an amortization period of 35 years at a fixed rate equal to the sum of 17 year LIBOR swap rates plus a spread of 2.25%. There was no underwritten rate provided.

---

**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:** 94.5 out of 140

[See Attachment A]

---

**Recommendation:**

Staff recommends that the Committee approve \$22,480,000 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	7
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>94.5</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.