

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 18, 2012**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Crystal Alvarez*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$18,187,922

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**Project Information:**  
**Name:** Morgan Hill Retirement Residence Apartments  
**Project Address:** Northwest corner of Butterfield Boulevard and Barrett Avenue  
**Project City, County, Zip Code:** Morgan Hill, Santa Clara, 95037

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**Project Sponsor Information:**  
**Name:** Morgan Hill Retirement Residence, LP (CDP-Morgan Hill, LLC, Morgan Hill Retirement Residence-ICON, LLC and Foundation for Affordable Housing II, Inc.)  
**Principals:** Darren Berberian, Sean Robbins and Eric Paine for CDP-Morgan Hill, LLC; Allen W. Sands for Morgan Hill Retirement Residence-ICON, LLC; Thomas Willard, Stanford Smith and Deborah Willard for Foundation for Affordable Housing II, Inc.  
**Property Management Company:** Buckingham Property Management

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** June 6, 2012

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 136, plus 2 manager units  
**Type:** New Construction  
**Type of Units:** Senior Citizens

The proposed site for Morgan Hill Retirement Residence is located northwest of Butterfield Boulevard and Barrett Avenue in Morgan Hill, California. The site acreage is approximately 5.3 acres which will be developed for the project. The project will consist of 1 three-story building with 138 units. All rental units will be age and income restricted. All tenants will required to be 55 years or older. Construction will be Type V, wood-frame construction, with color cast clay tile roofs, stucco exterior and wood trim and accents. The design will be a classic California contemporary style. The Recreation Center will be the center of services for the residents of Morgan Hill Retirement Residence. The Center is designed to support seniors by offering educational classes and counseling services to residents free of charge. The center will include a full service kitchen facility and dining area to serve the tenants a minimum of three meals a day as part of a meal plan that will be available at a reasonable cost.

**Description of Public Benefits:**

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

21% (28 units) restricted to 50% or less of area median income households.

79% (108 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1 & 2 bedrooms

The project sponsor has committed to providing a bona fide service coordinator/social worker for a period of ten years free of charge to the tenants.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 23,297,715	
<b>Estimated Hard Costs per Unit:</b>	\$ 84,060	(\$11,432,202 /136 units)
<b>Estimated per Unit Cost:</b>	\$ 171,307	(\$23,297,715 /136 units)
<b>Allocation per Unit:</b>	\$ 133,735	(\$18,187,922 /136 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 133,735	(\$18,187,922 /136 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 18,187,922	\$ 15,313,656
Deferred Developer Fee	\$ 2,495,290	\$ 264,496
LIH Tax Credit Equity	\$ 2,614,503	\$ 7,719,563
Total Sources	\$ 23,297,715	\$ 23,297,715
<b>Uses of Funds:</b>		
Acquisition/Land Purchase	\$ 3,600,000	
On & Off Site Costs	\$ 1,850,000	
Hard Construction Costs	\$ 9,582,202	
Architect & Engineering Fees	\$ 553,055	
Contractor Overhead & Profit	\$ 852,000	
Developer Fee	\$ 2,495,290	
Cost of Issuance	\$ 612,002	
Capitalized Interest	\$ 925,000	
Other Soft Costs (Marketing, etc.)	\$ 2,828,166	
Total Uses	\$ 23,297,715	

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

The tax-exempt bonds in the amount of \$18,187,922 will be privately placed with Citibank, N.A. The construction loan will be for a period of 24 months and will bear interest at a rate of 5.50%. Upon conversion the permanent financing phase will be paid down to \$15,313,656 and will bear interest at a rate of 5.50% amortized over 35 years with a 30 year term.

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**Analyst Comments:**

Not Applicable

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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:** 65 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$18,187,922 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	30
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	5
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>65</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.