

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: Crystal Alvarez

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$16,309,539

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

Project Sponsor Information:
Name: Morgan Hill Housing Investors, L.P. (Global Premier Development, Inc. and The Pate Foundation)
Principals: Andrew Hanna for Global Premier Development, Inc.; Sean Pate for The Pate Foundation
Property Management Company: Buckingham Property Management

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Nara Bank
TEFRA Hearing Date: August 24, 2011

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 project will consist of 1 three-story building. All rental units will be age and income restricted to 55-years or older. The proposed site is located northeast of Butterfield Boulevard and Barrett Avenue in Morgan Hill, California. The site acreage is approximately 5.3 acres, of which will be developed for the project. The recreation room will feature comfortable lounge seating and will be equipped with a television and DVD player. The kitchen facility and dining area will be sufficient to serve the tenants a minimum of three meals day as part of the meal plan that will be available at a reasonable cost and other services such as transportation, housekeeping, and laundering will also be available at reasonable prices.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
97% (132 units) restricted to 50% or less of area median income households.
3% (4 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The project sponsor has committed to providing educational classes and contracts for services for a period of 10 years at no cost to the residents.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 21,895,656
Estimated Hard Costs per Unit: \$ 73,897 (\$10,050,000 /136 units)
Estimated per Unit Cost: \$ 160,997 (\$21,895,656 /136 units)
Allocation per Unit: \$ 119,923 (\$16,309,539 /136 units)
Allocation per Restricted Rental Unit: \$ 119,923 (\$16,309,539 /136 restricted units)

| Sources of Funds: | Construction | Permanent |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 16,309,539 | \$ 11,483,643 |
| Deferred Developer Fee | \$ 2,000,000 | \$ 958,290 |
| LIH Tax Credit Equity | \$ 2,086,117 | \$ 6,953,723 |
| Direct & Indirect Public Funds | \$ 0 | \$ 1,000,000 |
| Seller Note | \$ 1,500,000 | \$ 1,500,000 |
| Total Sources | \$ 21,895,656 | \$ 21,895,656 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Land Purchase | \$ 4,000,000 |
| On & Off Site Costs | \$ 1,250,000 |
| Hard Construction Costs | \$ 8,800,000 |
| Architect & Engineering Fees | \$ 493,055 |
| Contractor Overhead & Profit | \$ 804,000 |
| Developer Fee | \$ 2,000,000 |
| Cost of Issuance | \$ 694,061 |
| Capitalized Interest | \$ 850,000 |
| Other Soft Costs (Marketing, etc.) | \$ 3,004,540 |
| Total Uses | \$ 21,895,656 |

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds are being purchased by Nara Bank with a private placement structure. During the 24-month construction phase the bonds will bear interest at a rate equal to the greater of Wall Street prime plus 2% or a floor of 5.70% as of the date the loan documents are filed. Upon conversion to the permanent financing phase the bonds will be paid down and will bear interest at a rate equal to the greater of Wall Street prime plus 2% or a floor of 5.73% amortized over 35 years with a 15 year term.

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.

Total Points: 72.6 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$16,309,539 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] | 5.1 |
| 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 | 2.5 |
| Service Amenities | 10 | 10 | 10 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 8 | 8 | 5 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 118 | 98 | 72.6 |

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.