

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 16, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	California Statewide Communities Development Authority
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Allocation Amount Requested:	Tax-exempt: \$14,000,000
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Project Information:	Name: Crossings on Monterey Apartments
	Project Address: 16800 Monterey Road
	Project City, County, Zip Code: Morgan Hill, Santa Clara, 95037

Project Sponsor Information:	Name: UHC 00661 Morgan Hill, L.P. (UHC 00661 Morgan Hill Holdings LLC; and Central Valley Coalition for Affordable Housing)
	Principals: Douglas R. Bigley, John F. Bigley and David H. Bigley for UHC 00661 Morgan Hill Holdings LLC; and Alan Jenkins, Christina Alley, Sid McIntyre and Steve Simmons for Central Valley Coalition for Affordable Housing
	Property Management Company: Hyder & Company

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP
	Private Placement Purchaser: Citibank, N.A.
	Cash Flow Permanent Bond: Not Applicable
	Public Sale: Not Applicable
	Underwriter: Not Applicable
	Credit Enhancement Provider: Not Applicable
	Rating: Not Applicable
	TEFRA Noticing Date: December 5, 2017
	TEFRA Adoption Date: December 20, 2017

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 39
	Manager's Units: 1 Unrestricted
	Type: New Construction
	Population Served: Family

Crossings on Monterey Apartments is a new construction project located in Morgan Hill on a 1.62-acre site. The project will consist of 38 restricted rental units and 1 unrestricted manager unit distributed as 6 one-bedroom units, 18 two-bedroom units and 15 three-bedroom units. The building design will be one three-story building of Type V wood construction on a slab-on-grade foundation. Common amenities include an elevator, three laundry rooms and a community room that will include a full kitchen, lounge area, TV room, computer room and a leasing office. Individual units will offer a patio/balcony, cable TV connection, laminate and linoleum flooring, and a kitchen equipped with range, refrigerator, dishwasher and garbage disposal. Five units will provide accessibility features and one will provide communication features. Seventy-four parking spaces will be provided, 39 of which will be covered and 4 will be accessible. Green features include solar photovoltaic power electrical generation. Construction is expected to begin in September 2018 and will be completed in September 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
82% (31 units) restricted to 50% or less of area median income households.
18% (7 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 23,516,856	
Estimated Hard Costs per Unit:	\$ 279,881	(\$10,915,360 /39 units including mgr. units)
Estimated per Unit Cost:	\$ 602,996	(\$23,516,856 /39 units including mgr. units)
Allocation per Unit:	\$ 358,974	(\$14,000,000 /39 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 368,421	(\$14,000,000 /38 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 8,534,000
LIH Tax Credit Equity	\$ 1,625,000	\$ 8,127,119
Developer Loan	\$ 0	\$ 305,737
Deferred Developer Fee	\$ 1,341,856	\$ 0
Santa Clara County Loan	\$ 5,800,000	\$ 5,800,000
Morgan Hill City Loan	\$ 750,000	\$ 750,000
Total Sources	<u>\$ 23,516,856</u>	<u>\$ 23,516,856</u>

Uses of Funds:	
Land Cost/Acquisition	\$ 2,665,000
New Construction	\$ 11,997,756
Contractor Overhead & Profit	\$ 571,087
Architectural Fees	\$ 414,999
Survey and Engineering	\$ 195,000
Construction Interest and Fees	\$ 1,663,656
Permanent Financing	\$ 267,269
Legal Fees	\$ 60,000
Reserves	\$ 222,000
Appraisal	\$ 17,004
Hard Cost Contingency	\$ 1,296,153
Local Development Impact Fees	\$ 1,488,718
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 958,214
Developer Costs	<u>\$ 1,700,000</u>
Total Uses	<u>\$ 23,516,856</u>

Analyst Comments:

This is considered a high cost per unit project. The developer cited a number of reasons for the high cost, including location in a flood zone requiring soil to be imported to raise the elevation, construction of a retaining wall and the city's requirement to use various siding materials to comply with aesthetics specifications. Demolition of three homes and a garage and the abandonment of a well and the related hazardous material abatement also contributed to the high cost. The city's requirement for the project to improve an adjacent bus stop and their relatively high impact fees averaging over \$38,000 per unit also drove up the per unit costs.

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:

70 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$14,000,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	70