

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
April 8, 2025**

The Magnolias, located at 17965 Monterey Road in Morgan Hill on a 1.53 acre site, requested and is being recommended for a reservation of \$3,124,138 in annual federal tax credits and \$32,378,000 of tax-exempt bond cap to finance the new construction of 66 units of housing, consisting of 65 restricted rental units and 1 unrestricted manager's unit. The project will have 15 studio units, 16 one-bedroom units, 17 two-bedroom units, and 18 three-bedroom units, serving special needs tenants with rents affordable to households earning 30%-50% of area median income (AMI). The construction is expected to begin in October 2025 and be completed in March 2027. The project will be developed by Eden Housing, Inc. and will be located in Senate District 17 and Assembly District 28.

The project will be receiving rental assistance in the form of HUD Section 8 Project-Based Vouchers and HUD-VASH Vouchers.

Project Number	CA-25-477
Project Name	The Magnolias
Site Address:	17965 Monterey Road Morgan Hill, CA 95037
County:	Santa Clara
Census Tract:	5123.14

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,124,138	\$0
Recommended:	\$3,124,138	\$0

Tax-Exempt Bond Allocation	
Recommended:	\$32,378,000

CTCAC Applicant Information	
CTCAC Applicant/CDLAC Sponsor:	The Magnolias LP
Contact:	Andrea Osgood
Address:	22645 Grand Street Hayward, CA 94541
Phone:	(510) 247-8103
Email:	aosgood@edenhousing.org

Bond Financing Information	
CDLAC Applicant/Bond Issuer:	California Municipal Finance Authority
Bond Counsel:	Jones Hall, A Professional Law Corporation
Private Placement Purchaser:	Citibank, N.A.

Development Team

General Partners / Principal Owners:	Eden Magnolias, LLC The Magnolias LLC
General Partner Type:	Nonprofit
Parent Companies:	Eden Housing, Inc. First Community Housing, Inc.
Developer:	Eden Housing, Inc.
Investor/Consultant:	California Housing Partnership
Management Agent:	Eden Housing Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	66
No. / % of Low Income Units:	65 100.00%
Average Targeted Affordability:	40.15%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD-VASH Section 8 Project-based Vouchers (7 Units - 11%) / HUD Section 8 Project-based Vouchers (16 Units - 25%)

Information

Housing Type:	Special Needs Large Family
% of Special Need Units:	33 units 51%
Geographic Area:	Bay Area Region
State Ceiling Pool:	New Construction
Set Aside:	Homeless Set Aside
Homeless Set Aside Units:	33
CDLAC Project Analyst:	Anthony Wey
CTCAC Project Analyst:	Brett Andersen

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	32	49%
50% AMI:	33	51%

Unit Mix

15	SRO/Studio Units
16	1-Bedroom Units
17	2-Bedroom Units
18	3-Bedroom Units
66	Total Units

Unit Type & Number	2024 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
10 SRO/Studio	30%	\$968
1 SRO/Studio	30%	\$968
4 SRO/Studio	50%	\$1,613
1 1 Bedroom	30%	\$1,037
7 1 Bedroom	50%	\$1,728
8 1 Bedroom	50%	\$1,728
8 2 Bedrooms	30%	\$1,244
4 2 Bedrooms	30%	\$1,244
5 2 Bedrooms	50%	\$2,073
8 3 Bedrooms	30%	\$1,437
9 3 Bedrooms	50%	\$2,396
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,239,256
Construction Costs	\$38,523,448
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,998,291
Soft Cost Contingency	\$616,000
Relocation	\$0
Architectural/Engineering	\$3,932,159
Const. Interest, Perm. Financing	\$7,014,066
Legal Fees	\$135,000
Reserves	\$537,893
Other Costs	\$4,552,146
Developer Fee	\$5,900,000
Commercial Costs	\$0
Total	\$65,448,259

Residential

Construction Cost Per Square Foot:	\$513
Per Unit Cost:	\$991,640
Estimated Hard Per Unit Cost:	\$522,461
True Cash Per Unit Cost*:	\$944,671
Bond Allocation Per Unit:	\$490,576
Bond Allocation Per Restricted Rental Unit:	\$498,123

Construction Financing

Source	Amount
Citibank: Tax Exempt	\$32,378,000
Citibank: Taxable	\$2,424,328
Santa Clara County (SCC)	\$22,250,000
SCC: Accrued Interest	\$981,591
City of Morgan Hill (CMH)	\$600,000
CMH: Accrued Interest	\$26,470
Deferred Costs	\$1,014,950
Deferred Developer Fee	\$3,100,000
Tax Credit Equity	\$2,672,920

Permanent Financing

Source	Amount
Citibank: Tax-Exempt	\$9,952,000
Santa Clara County (SCC)	\$22,250,000
SCC: Accrued Interest	\$981,591
City of Morgan Hill (CMH)	\$600,000
CMH: Accrued Interest	\$26,470
Deferred Developer Fee	\$3,100,000
Tax Credit Equity	\$28,538,198
TOTAL	\$65,448,259

*Less Donated Land, Seller Carryback Loans, Waived Fees, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$60,079,581
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$78,103,455
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,124,138
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,900,000
Federal Tax Credit Factor:	\$0.91347

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

CTCAC Significant Information / Additional Conditions

Staff noted a per unit development cost of \$944,671. The applicant noted that the per unit cost is attributed to prevailing wages, costs inherent with Type I construction, development impact fees, demolition costs, and significant increases in insurance costs.

CDLAC Analyst Comments: None.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

The applicant shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis, and tax credit amount determined by CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	119

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.

Tie Breaker: 120.678%