

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 18, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$19,000,000

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

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**Project Sponsor Information:**  
**Name:** Butterfield Retirement, LP (Butterfield Retirement LLC and Foundation for Affordable Housing II, Inc.)  
**Principals:** Eric Paine for Butterfield Retirement LLC; Thomas Willard, Stanford Smith, 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  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Adopted Date:** November 19, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 112, plus 2 manager units  
**Type:** New Construction  
**Type of Units:** Senior Citizens

The proposed new construction project will consist of one (1) three-story building located in the City of Morgan Hill, County of Santa Clara. The site acreage is approximately 4.03 acres and is flat. Construction will be Type V, wood-frame construction, with color cast clay tile roofs, stucco/wood/stone trim and accents. All tenants will be required to be 55-years or older. There will be 114 total units, of which 112 will be restricted income units and 2 will be manager units. Of the 112 units, 12 will be restricted to households with income no greater than 50% of the Area Median Income (AMI) and 100 will be restricted to households with income at 60% of the AMI. The unit mix will be 1-, 2- and 3-bedroom units. The common area amenities will be the center of services and activities for the residents of Butterfield Retirement. The recreational opportunities are designed to support seniors by offering educational classes, group activities, counseling services, and will be provided to the residents at no charge by the project owner. Adjacent to the lobby will be the interior common area spaces which will include an exercise room, community flex room, theater room, craft room, and dining room. Landscaping will be ecological and abundantly planned. Two elevators will be in service to assist residents to their units. The anticipated construction period is approximately twelve months beginning in April 2015 and being completed in April of 2016, followed by a lease-up period of six to eight months.

**Description of Public Benefits:**

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

11% (12 units) restricted to 50% or less of area median income households.

89% (100 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

The proposed project will provide instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 23,287,936	
<b>Estimated Hard Costs per Unit:</b>	\$ 109,406	(\$12,253,431 /112 units)
<b>Estimated per Unit Cost:</b>	\$ 207,928	(\$23,287,936 /112 units)
<b>Allocation per Unit:</b>	\$ 169,643	(\$19,000,000 /112 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 169,643	(\$19,000,000 /112 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 19,000,000	\$ 13,154,870
LIH Tax Credit Equity	\$ 2,236,383	\$ 8,945,530
Other (Marketing, etc.)	\$ 2,051,553	\$ 1,187,536
Total Sources	\$ 23,287,936	\$ 23,287,936
<b>Uses of Funds:</b>		
Acquisition/Land Purchase	\$ 2,150,000	
On-site & Off-site Costs	\$ 1,125,460	
Hard Construction Costs	\$ 11,127,971	
Architect & Engineering Fees	\$ 713,500	
Contractor Overhead & Profit	\$ 845,356	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 675,298	
Capitalized Interest	\$ 650,000	
Other Soft Costs (Marketing, etc.)	\$ 3,500,351	
Total Uses	\$ 23,287,936	

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

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank") for both construction and permanent financing. During the 30-month construction phase the bonds will bear interest at a fixed rate of 5.25%. During the permanent financing phase, the loan term will be for 30 years and a 18-year call at the option of the Bank. The loan will be amortized for 35 years. The bonds will be issued by the California Statewide Communities Development Authority.

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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:** 61.9 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$19,000,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	8.9
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	0
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	10	10	8
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>61.9</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.