

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
December 11, 2024**

Saggio Hills Phase I, located at 450 Parkland Farms Boulevard in Healdsburg on a 2.28 acre site, requested and is being recommended for a reservation of \$1,862,084 in annual federal tax credits and \$19,650,000 of tax-exempt bond cap to finance the new construction of 48 units of housing, consisting of 47 restricted rental units and 1 unrestricted manager's unit. The project will have 6 studio units, 18 one-bedroom units, 12 two-bedroom units, and 12 three-bedroom units, serving families with rents affordable to households earning 30%-60% of area median income (AMI). The construction is expected to begin in May 2025 and be completed in October 2026. The project will be developed by Freebird Development Company, LLC / Jamboree Housing Corporation and will be located in Senate District 2 and Assembly District 2.

The project financing includes state funding from the Affordable Housing and Sustainable Communities (AHSC) program of HCD.

Project Number CA-24-644

Project Name Saggio Hills Phase I
Site Address: 450 Parkland Farms Boulevard
Healdsburg, CA 95448
County: Sonoma
Census Tract: 1539.05

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,862,084	\$0
Recommended:	\$1,862,084	\$0

Tax-Exempt Bond Allocation
Recommended: \$19,650,000

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: Saggio Hills Lot 14, L.P.
Contact: Robin Zimbler
Address: 1111 Broadway, Suite 300
Oakland, CA 94607
Phone: (510) 319-6959
Email: robin@freebirddev.com

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 Partner(s) or Principal Owner(s): Freebird Saggio Hills Lot 14 LLC
 JHC-Saggio Hills Lot 14 LLC

General Partner Type: Joint Venture

Parent Company(ies): Freebird Development Company, LLC
 Jamboree Housing Corporation

Developer: Freebird Development Company, LLC / Jamboree
 Housing Corporation

Investor/Consultant: Red Stone Equity Partners, LLC

Management Agent: John Stewart Company

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 48

No. / % of Low Income Units: 47 100.00%

Average Targeted Affordability: 49.57%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family

Geographic Area: Northern Region

State Ceiling Pool: N/A

Set Aside: N/A

CDLAC Project Analyst: Anthony Wey

CTCAC Project Analyst: Jacob Couch

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	12	26%
50% AMI:	13	28%
60% AMI:	22	47%

Unit Mix

6 SRO/Studio Units
18 1-Bedroom Units
12 2-Bedroom Units
12 3-Bedroom Units
48 Total Units

<u>Unit Type & Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 SRO/Studio	30%	\$726
6 1 Bedroom	30%	\$778
11 1 Bedroom	60%	\$1,557
2 2 Bedrooms	50%	\$1,556
10 2 Bedrooms	60%	\$1,867
11 3 Bedrooms	50%	\$1,798
1 3 Bedrooms	60%	\$2,157
1 1 Bedroom	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,151,171
Construction Costs	\$25,327,390
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,318,928
Soft Cost Contingency	\$350,000
Relocation	\$0
Architectural/Engineering	\$1,462,174
Const. Interest, Perm. Financing	\$3,473,273
Legal Fees	\$245,000
Reserves	\$177,738
Other Costs	\$1,634,400
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$37,640,074

Residential

Construction Cost Per Square Foot:	\$423
Per Unit Cost:	\$784,168
Estimated Hard Per Unit Cost:	\$453,141
True Cash Per Unit Cost*:	\$784,168
Bond Allocation Per Unit:	\$409,375
Bond Allocation Per Restricted Rental Unit:	\$418,085

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank: Tax-Exempt	\$19,650,000
Citibank: Taxable	\$11,985,274
City of Healdsburg	\$1,151,170
Deferred Costs	\$177,738
Deferred Developer Fee	\$1,250,000
Tax Credit Equity	\$3,425,892

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank: Tax-Exempt	\$3,623,293
HCD: AHSC	\$13,742,098
Sponsor Loan: AHSC	\$1,994,053
City of Healdsburg	\$1,151,170
Tax Credit Equity	\$17,129,460
TOTAL	\$37,640,074

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$35,809,310
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$46,552,103
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,862,084
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Federal Tax Credit Factor:	\$0.91991

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 \$857,829. The applicant noted that the per unit cost is attributed to increasing construction costs, high interest rates, prevailing wage requirements, new state energy code requirements, the separate community building, and public improvements required as a condition of the disposition and development agreement.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

CDLAC Analyst Comments: None.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, 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	10
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	120

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: 83.288%