

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

The project, 525 N Capitol, located at 525 North Capitol Avenue in San Jose on a 0.97 acre site, requested and is being recommended for a reservation of \$4,592,462 in annual federal tax credits and \$62,535,038 of tax-exempt bond cap to finance the new construction of 160 units of housing, consisting of 158 restricted rental units and 2 unrestricted manager's units. The project will have 60 studio units, 64 one-bedroom units, 28 two-bedroom units, and 8 three-bedroom units, serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The construction is expected to begin in June 2025 and be completed in March 2027. The project will be developed by Community Development Partners and will be located in Senate District 15 and Assembly District 24.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Infill Infrastructure Grant (IIG) program of HCD.

Project Number CA-24-672

Project Name 525 N Capitol
Site Address: 525 North Capitol Avenue
San Jose, CA 95133
County: Santa Clara
Census Tract: 5038.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,592,462	\$0
Recommended:	\$4,592,462	\$0

Tax-Exempt Bond Allocation
Recommended: \$62,535,038

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: 525 Capitol LP
Contact: Angela Heyward
Address: 3416 Via Oporto, Suite 301
Newport Beach, CA 92663
Phone: 310-497-3037
Email: angela@communitydevpartners.com

Bond Financing Information
CDLAC Applicant/Bond Issuer: City of San Jose
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Private Placement Purchaser: Citibank, N.A.

Development Team

General Partner(s) or Principal Owner(s): 525 Capitol CDP LLC
 FFAH V 525 Capitol, LLC

General Partner Type: Joint Venture

Parent Company(ies): Community Development Partners
 Foundation for Affordable Housing
 Community Development Partners

Developer: Community Development Partners

Investor/Consultant: R4 Capital

Management Agent: FPI Management

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 160

No. / % of Low Income Units: 158 100.00%

Average Targeted Affordability: 44.94%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers
 (65 Units - 41%)

Information

Housing Type: Non-Targeted

Geographic Area: South and West Bay Region

State Ceiling Pool: N/A

Set Aside: N/A

Homeless Set Aside Units: 40

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:	71	45%
50% AMI:	25	16%
60% AMI:	62	39%

Unit Mix

60 SRO/Studio Units
64 1-Bedroom Units
28 2-Bedroom Units
8 3-Bedroom Units
<hr/> 160 Total Units

<u>Unit Type & Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
29 SRO/Studio	60%	\$1,936
31 SRO/Studio	30%	\$968
28 1 Bedroom	60%	\$2,074
25 1 Bedroom	50%	\$1,728
11 1 Bedroom	30%	\$1,037
5 2 Bedrooms	60%	\$2,488
4 2 Bedrooms	30%	\$1,244
7 2 Bedrooms	30%	\$1,244
10 2 Bedrooms	30%	\$1,244
8 3 Bedrooms	30%	\$1,437
2 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,430,883
Construction Costs	\$79,172,678
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,927,884
Soft Cost Contingency	\$544,050
Relocation	\$0
Architectural/Engineering	\$3,595,542
Const. Interest, Perm. Financing	\$11,974,917
Legal Fees	\$452,595
Reserves	\$850,438
Other Costs	\$3,292,530
Developer Fee	\$14,976,918
Commercial Costs	\$0
Total	\$126,218,435

Residential

Construction Cost Per Square Foot:	\$634
Per Unit Cost:	\$788,865
Estimated Hard Per Unit Cost:	\$434,590
True Cash Per Unit Cost*:	\$756,897
Bond Allocation Per Unit:	\$390,844
Bond Allocation Per Restricted Rental Unit:	\$395,791

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank: Tax-Exempt	\$62,535,038	Citibank: Tax-Exempt	\$26,150,000
Citibank: Taxable	\$14,787,729	HCD: IIG	\$4,000,000
HCD: IIG	\$4,000,000	Santa Clara County	\$8,000,000
Santa Clara County	\$8,000,000	City of San Jose	\$20,000,000
City of San Jose	\$20,000,000	City of San Jose: Land	\$6,500,000
City of San Jose: Land	\$6,500,000	Housing Trust Silicon Valley	\$4,500,000
Housing Trust Silicon Valley	\$4,500,000	Accrued Interest	\$1,714,167
Deferred Costs	\$1,670,603	Developer Fee Contribution	\$7,737,025
Tax Credit Equity	\$4,225,065	Deferred Developer Fee	\$5,114,903
		Solar Equity	\$251,687
		Tax Credit Equity	\$42,250,654
		TOTAL	\$126,218,435

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$114,823,041
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$114,823,041
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$4,592,462
Approved Developer Fee (in Project Cost & Eligible Basis):	\$14,976,918
Federal Tax Credit Factor:	\$0.92000

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 cost of \$756,897. The applicant noted that the per unit cost is attributed to prevailing wage requirements and building obligations imposed by the City of San Jose.

The project anticipates receiving a 15-year Section-8 project based voucher (PBV) rental subsidy for 65 of the 158 tax-credit units. Twenty-five (25) PBVs are set aside for homeless veterans under the Veterans Affairs Supportive Housing program. Fifteen (15) PBVs are set aside for chronically homeless families under the Chronically Homeless Direct Referral program.

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	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: 134.366%