

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

North Fair Oaks Apartments, located at 430-434 Douglas Avenue and 429-431 Macarthur Avenue in Unincorporated Redwood City on a 0.46 acre site, requested and is being recommended for a reservation of \$2,997,139 in annual federal tax credits and \$34,263,756 of tax-exempt bond cap to finance the new construction of 86 units of housing, consisting of 85 restricted rental units and 1 unrestricted manager's unit. The project will have 47 studio units, 29 one-bedroom units, 5 two-bedroom units, and 5 three-bedroom units, serving special needs tenants with rents affordable to households earning 20%-60% of area median income (AMI). The construction is expected to begin in May 2025 and be completed in February 2027. The project will be developed by Affirmed Housing Group, Inc. and will be located in Senate District 13 and Assembly District 21.

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 Housing for a Healthy California (HHC) program of HCD and Mental Health Services Act (MHSA) through CalHFA.

Project Number CA-24-731

Project Name North Fair Oaks Apartments
Site Address: 430-434 Douglas Avenue and 429-431 Macarthur Avenue
Unincorporated Redwood City, CA 94063
County: San Mateo
Census Tract: 6105.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,997,139	\$0
Recommended:	\$2,997,139	\$0

Tax-Exempt Bond Allocation
Recommended: \$34,263,756

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: Compass for Affordable Housing
Contact: Robin Martinez
Address: 13520 Evening Creek Drive North, Suite 560
San Diego, CA 92128
Phone: (858) 386-4211
Email: robin@compassfah.org

Bond Financing Information
CDLAC Applicant/Bond Issuer: California Municipal Finance Authority
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Silicon Valley Bank, a division of First-Citizens Bank & Trust Company

Development Team

General Partner(s) or Principal Owner(s):	CFAH Housing, LLC AHG North Fair Oaks, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Compass for Affordable Housing Affirmed Housing Group, Inc.
Developer:	Affirmed Housing Group, Inc.
Investor/Consultant:	Red Stone Equity Partners
Management Agent:	Solari Enterprises, Inc.

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	1	
Total # of Units:	86	
No. / % of Low Income Units:	85	100.00%
Average Targeted Affordability:	42.89%	
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (24 Units - 28%)	

Information

Housing Type:	Special Needs
Geographic Area:	South and West Bay Region
State Ceiling Pool:	New Construction
Set Aside:	Homeless Set Aside
Homeless Set Aside Units:	39
CDLAC Project Analyst:	Anthony Wey
CTCAC Project Analyst:	Sopida Steinwert

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI:	39	46%
50% AMI:	2	2%
60% AMI:	44	52%

Unit Mix

47 SRO/Studio Units
29 1-Bedroom Units
5 2-Bedroom Units
<u>5 3-Bedroom Units</u>
86 Total Units

Unit Type & Number	2024 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
14 SRO/Studio	20%	\$685
6 SRO/Studio	30%	\$1,028
2 SRO/Studio	30%	\$1,028
25 SRO/Studio	60%	\$2,056
10 1 Bedroom	20%	\$734
5 1 Bedroom	30%	\$1,101
2 1 Bedroom	30%	\$1,101
12 1 Bedroom	60%	\$2,203
1 2 Bedrooms	50%	\$2,203
3 2 Bedrooms	60%	\$2,644
1 3 Bedrooms	50%	\$2,546
4 3 Bedrooms	60%	\$3,055
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$8,011,083
Construction Costs	\$36,987,200
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,219,516
Soft Cost Contingency	\$640,591
Relocation	\$100,000
Architectural/Engineering	\$3,300,000
Const. Interest, Perm. Financing	\$6,314,197
Legal Fees	\$1,133,500
Reserves	\$475,000
Other Costs	\$1,933,010
Developer Fee	\$7,518,679
Commercial Costs	\$0
Total	\$68,632,776

Residential

Construction Cost Per Square Foot:	\$532
Per Unit Cost:	\$798,056
Estimated Hard Per Unit Cost:	\$364,012
True Cash Per Unit Cost*:	\$757,339
Bond Allocation Per Unit:	\$398,416
Bond Allocation Per Restricted Rental Unit:	\$403,103

Construction Financing

Source	Amount
Silicon Valley Bank: Tax-Exempt	\$34,263,756
Lument Securities, LLC	\$2,087,222
San Mateo County: Measure K	\$11,157,315
San Mateo County: HHC	\$6,213,322
San Mateo County: MHSA	\$1,980,000
Deferred Costs	\$1,494,749
Tax Credit Equity	\$11,436,411

Permanent Financing

Source	Amount
Lument Real Estate Capital, LLC	\$14,342,233
Lument Securities, LLC	\$2,087,222
San Mateo County: Measure K	\$12,397,017
San Mateo County: HHC	\$6,213,322
San Mateo County: MHSA	\$2,200,000
Deferred Developer Fee	\$3,501,608
Tax Credit Equity	\$27,891,374
TOTAL	\$68,632,776

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$57,643,208
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$74,936,170
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,997,139
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,518,679
Federal Tax Credit Factor:	\$0.93060

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 \$757,339. The applicant noted that the per unit cost is attributed to high land prices in a prime location, additional parking spaces, a concrete podium design, ADA standards, energy efficiency, and prevailing wage requirements.

The project will restrict 39 (45%) of the units to serve special needs tenants, consisting of homeless households with mental illness and other homeless households.

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: 114.821%