

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

Moreland Apartments, located at 4375 Payne Avenue in San Jose on a 7.08 acre site, requested and is being recommended for a reservation of \$4,131,931 in annual federal tax credits and \$55,894,252 of tax-exempt bond cap to finance the acquisition & rehabilitation of 160 units of housing, consisting of 159 restricted rental units and 1 unrestricted manager's unit. The project has 80 one-bedroom units, and 80 two-bedroom units, serving tenants with rents affordable to households earning 30%-80% of area median income (AMI). The construction is expected to begin in January 2025 and be completed in December 2025. The project will be developed by Gung Ho - Moreland, LLC and is located in Senate District 15 and

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-24-768

Project Name Moreland Apartments
Site Address: 4375 Payne Avenue
San Jose, CA 95117
County: Santa Clara
Census Tract: 5063.05

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,131,931	\$0
Recommended:	\$4,131,931	\$0

Tax-Exempt Bond Allocation
Recommended: \$55,894,252

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: Reliant - Moreland, LP
Contact: Mike April
Address: 601 California Street, Suite 1150
San Francisco, CA 94108
Phone: (415) 501-9605
Email: mapril@reliantgroup.com

Bond Financing Information
CDLAC Applicant/Bond Issuer: California Municipal Finance Authority
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citi Community Capital

Development Team

General Partner(s) or Principal Owner(s): Gung Ho - Moreland, LLC
Rainbow - Moreland, LLC

General Partner Type: Joint Venture

Parent Company(ies): Gung Ho Partners, LLC
Rainbow Housing Assistance Corporation

Developer: Gung Ho - Moreland, LLC

Investor/Consultant: R4 MACA Acquisition LP

Management Agent: Cornerstone Reliant GP FKA Reliant Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation

Total # Residential Buildings: 8

Total # of Units: 160

No. / % of Low Income Units: 159 100.00%

Average Targeted Affordability: 44.22%

Federal Set-Aside Elected: 40%/60% Average Income

Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (159 Units - 99%)

Information

Housing Type: At-Risk

Geographic Area: South and West Bay Region

State Ceiling Pool: Preservation

Set Aside: N/A

CDLAC Project Analyst: Erin Deblaquiere

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:	49	31%
50% AMI:	108	68%
80% AMI*:	2	1%

*CTCAC restricted only

Unit Mix

80 1-Bedroom Units

80 2-Bedroom Units

160 Total Units

<u>Unit Type & Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
55 1 Bedroom	50%	\$1,728
48 2 Bedrooms	50%	\$2,073
2 2 Bedrooms	50%	\$2,073
3 2 Bedrooms	50%	\$2,073
25 1 Bedroom	30%	\$1,037
21 2 Bedrooms	30%	\$1,244
3 2 Bedrooms	30%	\$1,244
1 2 Bedrooms	80%	\$3,318
1 2 Bedrooms	80%	\$3,318
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$73,411,883
Construction Costs	\$0
Rehabilitation Costs	\$16,995,030
Construction Hard Cost Contingency	\$1,699,503
Soft Cost Contingency	\$450,000
Relocation	\$383,460
Architectural/Engineering	\$250,000
Const. Interest, Perm. Financing	\$9,914,437
Legal Fees	\$470,681
Reserves	\$1,378,301
Other Costs	\$1,274,188
Developer Fee	\$12,485,142
Commercial Costs	\$0
Total	\$118,712,625

Residential

Construction Cost Per Square Foot:	\$137
Per Unit Cost:	\$741,954
Estimated Hard Per Unit Cost:	\$90,685
True Cash Per Unit Cost*:	\$690,166
Bond Allocation Per Unit:	\$349,339
Bond Allocation Per Restricted Rental Unit:	\$356,014

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank: Tax-Exempt	\$55,894,252
Citibank: Recycled Tax-Exempt	\$14,455,748
Net Operating Income	\$3,309,657
Deferred Developer Fee	\$10,595,091
Tax Credit Equity	\$34,457,878

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank: Tax-Exempt	\$45,894,252
Citibank: Recycled Tax-Exempt	\$14,455,748
CMFA ¹ : Subordinate Tax-Exempt	\$10,000,000
Net Operating Income	\$3,309,657
Deferred Developer Fee	\$8,286,132
Tax Credit Equity	\$36,766,836
TOTAL	\$118,712,625

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

¹California Municipal Finance Authority

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$25,262,867
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$70,456,560
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$32,841,727
Qualified Basis (Acquisition):	\$70,456,560
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$1,313,669
Maximum Annual Federal Credit, Acquisition:	\$2,818,262
Total Maximum Annual Federal Credit:	\$4,131,931
Approved Developer Fee (in Project Cost & Eligible Basis):	\$12,485,142
Federal Tax Credit Factor:	\$0.88982

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 \$741,954. The applicant noted that the per unit cost is attributed to the full site renovation, contingency, construction costs, acquisition costs for ten buildings, and construction interest and holding costs.

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	20
New Construction Density and Local Incentives	10	0	0
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	0
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	0
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	110

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: 146.746%