



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Rosalynn Hughey
Rick Bruneau

SUBJECT: SEE BELOW

DATE: September 11, 2023

Approved

Date

9/19/23

COUNCIL DISTRICT: 6

SUBJECT: APPROVAL OF THE ISSUANCE OF TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS AND THE LOAN OF THE PROCEEDS THEREOF FOR THE FINANCING OF THE PARKMOOR COMMUNITY APARTMENTS AND APPROVING RELATED DOCUMENTS

RECOMMENDATION

Adopt a resolution:

- a. Authorizing the issuance of a: (1) tax-exempt multifamily housing revenue bond to be designated as “City of San José Multifamily Housing Mortgage-Backed Bonds (Parkmoor), Series 2023F-1 (M-TEMS) (FN)” and (2) cash collateralized multifamily housing revenue bond to be designated as “City of San José Multifamily Housing Revenue Bonds (Parkmoor), Series 2023F-2 (Cash Collateralized)”, collectively referred to as the “2023F Bonds”, in an aggregate principal amount not to exceed \$39,807,713;
- b. Approving the loan of 2023F Bonds proceeds to Allied 1510 Parkmoor, L.P., a California limited partnership, to finance the construction and development of an 81-unit multifamily development known as Parkmoor Community Apartments located at 1510 Parkmoor Avenue in San José;
- c. Approving in substantially final form the Trust Indenture, the Financing Agreement, the Regulatory Agreement and Declaration of Restrictive Covenants, the Bond Purchase Agreement, and the Preliminary Official Statement, collectively referred to as 2023F Bonds Documents; and
- d. Authorizing and directing the City Manager, Director of Housing, Acting Director of Housing, Assistant Director of Housing, Director of Finance, Assistant Director of Finance, Deputy

Director of Finance – Debt & Treasury Management or their designees, to execute, as appropriate, negotiate, and deliver the 2023F Bonds Documents together with any documents ancillary to the 2023F Bonds Documents or necessary or convenient for issuance, and sale of the 2023F Bonds and loan of the proceeds thereof.

SUMMARY AND OUTCOME

In accordance with the City’s Policy for Issuance of Multifamily Housing Revenue Bonds, Allied 1510 Parkmoor LLC, a California limited liability company (Sponsor), requested the City of San José (City) issue: 1) a tax-exempt multifamily housing revenue bond to be designated as “City of San José Multifamily Housing Mortgage-Backed Bonds (Parkmoor), Series 2023F-1 (M-TEMS) (FN)¹” (2023F-1 Bonds), and 2) a cash collateralized multifamily housing revenue bond to be designated as “City of San José Multifamily Housing Revenue Bonds (Parkmoor), Series 2023F-2 (Cash Collateralized)” (2023F-2 Bonds) (together with the 2023F-1 Bonds, the 2023F Bonds) in an aggregate amount not to exceed \$39,807,713. The 2023F Bonds will be initially sold to the public through Stifel, Nicolaus & Company, Incorporated as bond underwriter (Underwriter).

Approval of the recommended actions will enable the issuance of tax-exempt and cash collateralized multifamily housing revenue bonds for the purpose of financing a portion of the costs to construct the Parkmoor Community Apartments development, an 81-unit affordable housing project – including two units serving as manager’s units – restricted to very low-income and extremely low-income households that will remain affordable for a period of at least 55 years from completion of construction and 50% lease up of the units.

The proceeds of the 2023F Bonds will be loaned to Allied 1510 Parkmoor, L.P., a California limited partnership (Borrower), an entity formed by the Sponsor. The Borrower will use these proceeds and other funds to finance the construction of the Parkmoor Community Apartments development.

The 2023F Bonds will not be paid from or secured by the general taxing power of the City nor any other City asset.

BACKGROUND

Abode Housing Development is proposing to develop, own, and manage a new mixed-use 81-unit affordable housing development located on a 1.62-acre site. The Parkmoor Community Apartments development will consist of a five-story building with four-stories of wood-framed residential construction above a ground floor concrete podium. Construction is expected to start 30 days after the close of construction financing, which is proposed to be on October 23, 2023.

¹ “M-TEMS” stands for Multifamily Tax-Exempt Mortgage Securities, which is a financial security marketed by the Bond underwriter, Stifel, Nicolaus & Company. FN is used to designate this is a Fannie Mae-backed mortgage.

Borrower

The Borrower is a California limited partnership consisting of the following entities:

- (1) Managing General Partner: Allied 1510 Parkmoor LLC, a California limited liability company, the sole member of which is Abode Housing Development (Developer) formerly known as Allied Housing Incorporated, and
- (2) Limited Partner: Enterprise Housing Credit Investments, LLC, a Maryland limited liability company.

The Sponsor requested that the City issue the 2023F Bonds for the purpose of lending the proceeds thereof to the Borrower. The proceeds of the 2023F Bonds, together with other funds, will be used by the Borrower to finance the construction of the Parkmoor Community Apartments development.

Site: The development site is located 1510-1540 Parkmoor Avenue. For reference, a site map is provided as **Attachment A – Site Map**

Parkmoor Community Apartments Development Overview

The Parkmoor Community Apartments development involves the construction of 20 studio apartments, 19 one-bedroom apartments, 20 two-bedroom apartments, 20 three-bedroom apartments, and two two-bedroom unrestricted managers’ units. The Parkmoor Community Apartments development will serve residents with annual incomes between 30% and 60% of the area median income (AMI) at affordable rents adjusted for family size in accordance with the California Health and Safety Code, as may be amended from time to time. The affordability restrictions set forth will restrict 40 units to 30% AMI households, 24 units to 50% AMI, and 15 units to 60% AMI. The affordability restrictions for the Parkmoor Community Apartments development will remain for a period of at least 55 years. The unit mix and affordability levels by AMI are summarized below in Table 1.

Table 1: Unit Mix by Affordability Level

Unit Size	Up to 30% AMI			Up to 50% AMI			Up to 60% AMI			MGR*	Total Units**
	Units	Max Income	Rent Limit	Units	Max Income	Rent Limit	Units	Max Income	Rent Limit	Units	
Studio	20	\$38,070	\$951	0	\$63,450	\$1,586	0	\$76,140	\$1,903	0	20
One-Bedroom	13	\$43,500	\$1,087	3	\$72,500	\$1,812	3	\$87,000	\$2,175	0	19
Two-Bedroom	5	\$48,960	\$1,224	10	\$81,600	\$2,040	5	\$97,920	\$2,448	2	22
Three-Bedroom	2	\$54,390	\$1,359	11	\$90,650	\$2,266	7	\$108,780	\$2,719	0	20
Total	40			24			15			2	81

*Unrestricted managers’ units

**Income and rent levels based on 2023 California Housing and Community Development occupancy guideline of one person per bedroom plus one.

Through a partnership with the County of Santa Clara's Office of Supportive Housing (County), the Borrower will set aside 20 of the units for households in the County's Rapid Rehousing program, which prioritizes residents who are experiencing homelessness and will restrict these units to 30% AMI households. Additionally, 41 units will be supported with the Santa Clara County Housing Authority's Project-Based Vouchers for a period of at least 20 years. Twenty of the Project-Based Voucher units will be set aside for permanent supportive housing specifically designated for chronically homeless individuals and families. The Parkmoor Community Apartments development will operate in conjunction with the County - the property owner - who will ground lease the residential portion of the site to the Borrower.

The ground floor of the Parkmoor Community Apartments development will include the following:

- 17,098 square foot youth center that will be funded, owned, and operated by the County;
- Main residential lobby, with a staffed reception desk and resident mailboxes;
- Gated parking garage with 34 interior parking stalls for housing residents and staff use, of which 33 will have automated parking lifts allowing for maximized parking by mechanically raising cars to a higher level and allowing cars to park underneath; and
- Secured bicycle parking room designed to accommodate 48 bicycles.

The second floor of the development will include the following additional amenities:

- Shared community room with a kitchenette, audio/video area, and storage;
- Resident laundry;
- Outdoor landscaped terrace with seating areas, barbecue, and play equipment; and
- Managers' office suite and a separate office suite for services staff with meeting and consultation areas.

Construction Schedule

Construction is expected to commence in November 2023 and be completed by May 2025.

Relocation

The County currently owns the site where the Parkmoor Community Apartments development will be constructed. The Borrower indicated that the four one-story commercial buildings on the site have been recently demolished by the County. As such, relocation services are not necessary.

City Loan for the Parkmoor Community Apartments Development

On January 31, 2023, the City Council approved a loan to the Borrower for eligible development costs of up to \$12,760,569 during the construction period (City Construction Loan) and up to \$16,826,688 during the permanent period after construction and lease-up (City Permanent Loan, and with the City Construction Loan, the City Loan). The source of funding for the City Loan will be the Affordable Housing Impact Fee Fund, Low and Moderate-Income Housing Asset Fund, or other sources at the

City’s discretion. The City Loan will be accompanied by an affordability restriction (City’s Affordability Restriction) that is unsubordinated to any deeds of trust. The City’s Affordability Restriction will run for at least 55 years from the completion of the Parkmoor Community Apartments development. **Table 2** displays the City’s funding sources for the total City Loan amount.

Table 2: City Loan Funding Sources

Funding Source	Funding Amount
Affordable Housing Impact Fee Fund	\$5,023,101
Low and Moderate-Income Housing Asset Fund	\$11,803,587
Total	\$16,826,688

City as Issuer of Multifamily Housing Bonds

The City Council-approved Policy for Issuance of Multifamily Housing Revenue Bonds² requires the City to be the issuer of tax-exempt multifamily housing revenue obligations in connection with the financing or refinancing of rental housing projects for which it has provided or will be providing a loan.

Prevailing Wages and Labor Standards

In accordance with City Resolutions, numbers 61144 and 61716, the City’s prevailing wages policy will apply to the Parkmoor Community Apartments development and will be overseen by the City’s Office of Equality Assurance. The City’s loans and fee reductions are excluded from the requirements of Part 3 of Chapter 14.10 pursuant to Section 14.10.250.B of the San José Municipal Code.

Sources of Project Funding

The 2023F Bonds will fund a portion of the total development costs, which are currently estimated at \$77,510,305. Based on the Borrower’s proforma dated August 24, 2023, during the construction period, the 2023F Bonds will be issued in an estimated amount of \$39,807,713. The bonds will bear fixed interest rates, estimated at the 10-year Secured Overnight Financing Rate index plus a spread of 2.29% (currently 3.70% + 2.29% = 5.99%) for 2023F-1 Bonds, and at the two-year Municipal Market Data index plus a spread of approximately 1.0% (currently 3.0% + 1.0% = 4.0%) for 2023F-2 Bonds. Following the completion of construction of the Parkmoor Community Apartments development and its lease-up (Conversion), the 2023F-2 Bonds will be paid off and the 2023F-1 Bonds will remain outstanding in a principal amount of approximately \$1,150,000. The primary sources of repayment of the 2023F Bonds at Conversion are anticipated to be cash collateral, City and County loan proceeds, and investor equity generated from a Low-Income Housing Tax Credit. A detailed breakdown of the

² [City Council Policy #1-16 Policy for the Issuance of Multifamily Housing Revenue Bonds](#)

Parkmoor Community Apartments development's funding sources and uses is provided as **Attachment B – Sources and Uses**.

Financing History of the Parkmoor Community Apartments Development – Key Dates

The financing history of this project is presented as **Attachment C – Key Financing Dates**.

ANALYSIS

Parkmoor Community Apartments will be an 81-unit affordable housing development serving families and transitional aged youth who are current and former foster youth between 15 and 24 years of age. The site is located in a transit-oriented growth area as defined in the Envision San José 2040 General Plan and in the Continued Investment Area Category of the Affordable Housing Siting Policy. The building frontage along Parkmoor Avenue creates an urban relationship to the street with ground floor transparency along Parkmoor Avenue consistent with General Plan and zoning requirements. The public frontages are activated by outdoor amenity spaces for the youth center as well as surface parking and passenger drop-off space.

A major component of the Parkmoor Community Apartments development is a 17,098 square feet ground floor youth service center known as the Hub. The Hub is a community center that will be owned and operated by the County with multiple service organizations and activity spaces dedicated to supporting foster youth. The Hub will have an enclosed indoor activity space along with offices and an adjoining outdoor amenity space. The private outdoor courtyard includes a half basketball court, a barbeque area, and a children's play area.

The following portion of this memorandum is divided into several sections to address the items in staff's recommendation to proceed with the financing for the Parkmoor Community Apartments development. These sections describe the financing structure, financing documents, financing team participants, and financing schedule.

Bond Financing Structure

Overview of the Multifamily Housing Revenue Bond Financing

General

Multifamily housing financing historically has involved the issuance of tax-exempt multifamily housing bonds on behalf of private developers of qualifying affordable rental apartment projects. The City has for many years issued tax-exempt bonds and loaned the proceeds to the developer/borrower. The advantages of tax-exempt financing to borrowers include below-market interest rates and Low-Income Housing Tax Credits – features that are not available with a conventional multifamily housing mortgage loan.

The City Charter allows the City to issue, execute, and deliver revenue bonds pursuant to California Health and Safety Code Sections 52075-52098. In accordance, the City is authorized to issue the 2023F Bonds for the purpose of financing the acquisition and construction of multifamily rental housing. Section 52011 of the California Health and Safety Code defines “bonds” to include bonds for purposes of California Health and Safety Code Sections 52075-52098. The 2023F Bonds use a portion of the State’s annual federal tax-exempt private activity bond volume cap allocated by the California Debt Limit Allocation Committee. The 2023F Bonds also allow the Parkmoor Community Apartments development to qualify for tax credits provided through California Tax Credit Allocation Committee.

The 2023F Bonds are limited obligations of the City, payable solely from loan repayments by the Borrower, and are not secured by the general taxing power of the City nor any other asset of the City.

Requirements for Tax-Exemption

For a private activity multifamily housing revenue bond or note to qualify for tax exemption, federal law requires, among other matters, that one of two restrictions apply: 1) at least 20% of the units in the housing development must be reserved for occupancy by individuals and families whose income is 50% or less of AMI, or 2) at least 40% of the units must be reserved for occupancy by individuals and families whose income is 60% or less of AMI. While this restriction will be incorporated into the Regulatory Agreement for the 2023F Bonds, the Parkmoor Community Apartments development will also be subject to additional affordability restrictions, including those imposed by California Debt Limit Allocation Committee.

Structure of the 2023F Bonds

Public Offering Structure

The 2023F Bonds will be structured as rated, “A” or better, and credit-enhanced obligations that are sold initially to the public by the Underwriter. It is expected that the 2023F Bonds will be publicly offered in two series in an aggregate principal amount not to exceed \$39,807,713: 1) a permanent 2023F-1 Bond of approximately \$1,150,000 that will mature approximately 15 years after Conversion, and 2) a short-term construction 2023F-2 Bonds of approximately \$38,657,713 that will have a maturity of approximately three years and a mandatory tender at Conversion, approximately 24 months after the closing of construction finance. The bond proceeds will be deposited into cash collateralization accounts held by the bond trustee. Shortly after Conversion, the permanent 2023F-1 Bonds will be credit-enhanced and collateralized by a mortgage-backed security to be issued by Fannie Mae under its mortgage-backed security through the Tax-Exempt Bond Collateral program.

Capital One will underwrite and process the mortgage loan pursuant to Fannie Mae’s Delegated Underwriting and Servicing Program. Capital One will also be the lender of a taxable construction loan during the construction period. The proceeds of that taxable loan will be advanced to the bond trustee to replace draws of tax-exempt bond proceeds that are used for eligible project costs during the construction period, thus maintaining the cash collateral for the bonds.

Principal Amounts and Terms

Based on current projections, the estimated principal amount of the 2023F Bonds will be \$39,807,713. After the Parkmoor Community Apartments development is constructed and leased up, and Conversion to the permanent phase occurs, the 2023F-2 Bonds are expected to be paid down and the 2023F-1 Bonds are expected to remain outstanding in an amount estimated at \$1,150,000. The source of 2023F Bonds paydown at Conversion will be cash collateral, City and County loan proceeds, and investor equity generated from Low-Income Housing Tax Credits. The Conversion is anticipated to occur approximately 30 months after the 2023F Bonds closing, subject to two six-month extensions.

The mandatory tender date of the 2023F-1 Bonds is expected to be approximately 15 years after Conversion and 2023F-1 Bonds are expected to amortize on a 35-year basis.

Interest Rate

The 2023F Bonds will be sold to the public via a competitive process to determine the lowest interest rates at the then-current market. Based on the most recent market rates, as of July 28, 2023, it is estimated the interest rate for 2023F-1 Bonds at the 10-year Secured Overnight Financing Rate swap index plus a spread up to 2.29% (currently 3.70% + 2.29% = 5.99%), and the interest rate for 2023F-2 Bonds at the two-year Municipal Market Data index plus a spread of approximately 1.0% (currently 3.0% + 1.0% = 4.0%).

Financing Documents

The following is a brief description of the Trust Indenture, the Financing Agreement, the Regulatory Agreement and Declaration of Restrictive Covenants, the Bond Purchase Agreement, and the Preliminary Official Statement. The City Council is being asked to approve and authorize their execution. Copies of these documents will be posted on the City's Council Agenda website in advance of the October 3, 2023 City Council meeting.

Trust Indenture

The 2023F Bonds will be issued under a Trust Indenture among the City (Issuer) and U.S. Bank Global Corporate Trust (Trustee). The Trust Indenture will be executed by the Director of Finance, or another authorized officer, on behalf of the Issuer. Pursuant to the Trust Indenture, the Trustee is authorized to receive, hold, invest, and disburse 2023F Bonds proceeds and other funds established thereunder to:

- Authenticate the 2023F Bonds;
- Apply and disburse payments to the bondholder(s); and
- Pursue remedies on behalf of the bondholder(s).

The Financing Agreement (described below) obligates the Borrower to compensate the Trustee for services rendered under the Trust Indenture.

Financing Agreement

The Financing Agreement is among the Issuer and the Borrower, corresponding to the Trust Indenture. The Financing Agreement will be executed by the Director of Finance, or another authorized officer, on behalf of the Issuer. The Financing Agreement provides for the loan of 2023F Bonds proceeds to the Borrower for the construction of the Parkmoor Community Apartments development and for the repayment of said loan by the Borrower. The loan of 2023F Bonds proceeds will be evidenced by bonds that correspond to the repayment terms of the related 2023F Bonds. The Issuer's rights to receive payments under the bonds will be assigned to the Trustee, along with certain other rights under the Trust Indenture; however, certain reserved rights have been retained by the Issuer, such as the Issuer's right to receive fees, notices, and indemnification.

Regulatory Agreement and Declaration of Restrictive Covenants

The Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement) is among the Issuer, the Trustee, and the Borrower. The Regulatory Agreement contains certain covenants and restrictions regarding the Parkmoor Community Apartments development and its operations intended to ensure compliance with the Internal Revenue Code of 1986 and applicable state law. The Regulatory Agreement is executed by the Director of Finance and Director of Housing, Acting Director of Housing, Assistant Director of Housing, or other authorized officers, on behalf of the Issuer. The Regulatory Agreement restricts the rental of the Parkmoor Community Apartments development units to low-income residents for a period of at least 55 years after 50% of the units in the development are first occupied.

Bond Purchase Agreement

The Bond Purchase Agreement is between the City as bond issuer and the Underwriter. The Bond Purchase Agreement describes the principal amount(s), the Underwriter's fee, and the coupon(s) and yield(s) of the proposed 2023F Bonds, all of which will be determined at the time of the bond sale. All these factors will determine the cost of borrowing, provided that they do not exceed the amounts established by the proposed resolution.

Preliminary Official Statement

The Preliminary Official Statement is an informational disclosure document released prior to the sale of the 2023F Bonds and is followed by a final Official Statement after pricing the 2023F Bonds and prior to closing. The Preliminary Official Statement and Official Statement describe the 2023F Bonds, their security and sources for payment, associated risk factors, and other pertinent financial matters. The final Official Statement is substantially in the form of the Preliminary Official Statement and is to be updated with any material information not otherwise disclosed in the Preliminary Official Statement and information that is market-dependent, such as the final principal amount of the 2023F Bonds, interest rate(s) on each maturity, offering price, redemption provisions, and delivery date(s).

The distribution of the Preliminary Official Statement and the final Official Statement is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2023F Bonds. Information is material if there is a substantial likelihood that the information would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell securities. The Securities and Exchange Commission is the federal agency with regulatory authority over compliance with federal securities laws. The Securities and Exchange Commission has indicated that if a member of a legislative body, like the City Council, has knowledge of any facts or circumstances that an investor would want to know prior to investing in securities, such as the 2023F Bonds, whether relating to their repayment, undisclosed conflicts of interest with interested parties, or otherwise, the member of the legislative body should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. The steps that a member of a legislative body could take to fulfill this obligation include becoming familiar with the Preliminary Official Statement and questioning staff and other members of the financing team about the disclosure of such facts.

Financing Team Participants

The financing team participants for the 2023F Bonds consists of:

- **City's Municipal Advisor:** PFM Financial Advisors LLC
- **Bond Counsel:** Stradling Yocca Carlson & Rauth
- **Trustee:** U.S. Bank Global Corporate Trust
- **Construction Lender:** Capital One
- **Underwriter:** Stifel, Nicolaus & Company, Incorporated

Payment of all costs associated with the City's Municipal Advisor, Bond Counsel, Trustee, and Underwriter is contingent upon the sale of the 2023F Bonds and will be paid from 2023F Bonds proceeds, tax credit equity, and/or Borrower funds.

Financing Schedule

The current proposed schedule is as follows:

- City Council Approval of 2023F Bonds Documents October 3, 2023
- Bond Pricing (tentative) October 11, 2023
- Bond Closing (tentative) October 25, 2023
- California Debt Limit Allocation Committee Deadline for 2023F Bonds Closing November 6, 2023

Public Disclosure Report Relating to Conduit Revenue Obligations

The Borrower prepared the attached public disclosure report pursuant to California Government Code Section 5852.1, which is included as **Attachment D – Public Disclosure Report**, providing good faith estimates of certain costs associated with the issuance of the 2023F Bonds.

City Subordinate Financing

The City agreed to lend up to \$12,760,569 during the construction period and up to \$16,826,688 during the permanent period after construction and lease-up. Deviating from standard underwriting guidelines, the City's loan shall allow, beginning at Conversion, the Developer's share of net cash flow to be 50% while the remaining 50% of net cash flow be split between the City and County until the Developer has received full payment of its deferred developer fee. After payment in full of the deferred developer fee, net cash flow shall be split as one third to the Borrower and the remaining two thirds shared between the County and City. This is necessary for the Parkmoor Community Apartments development to incur sufficient eligible costs during its 15-year compliance period to meet requirements set by the issuance of tax-exempt bonds and Low-Income Housing Tax Credits. In addition, the City's loan shall have a reduced permanent loan interest rate of 1% for the first 17 years of operations, then increase its permanent loan interest rate to 4% beginning at year 18 and thereafter. This is necessary to avoid future unbearable tax liabilities the Parkmoor Community Apartments development is projected to incur under a simple 4% permanent loan interest rate beginning at year one. The sources of funding for the City Loan will be the Affordable Housing Impact Fee Fund, Low and Moderate-Income Housing Asset Fund, and other sources at the City's discretion. As authorized by the recommended actions and under Delegation of Authority, the Director of Housing, Acting Director of Housing, Assistant Director of Housing, or their designee, will negotiate City Loan documents.

City Issuance and Monitoring Fees

City Policy for Issuance of Multifamily Housing Revenue Bonds

The City's Policy for Issuance of Multifamily Housing Revenue Bonds requires that the issuance fee and annual monitoring fee be calculated as follows:

- Issuance Fee is an amount equal to the sum of (a) 0.50% of the first \$10,000,000 issued and (b) 0.25% of the remaining par issued; and
- Annual Monitoring Fee applicable to not-for-profit borrowers is an amount equal to 0.125% of the par at Conversion for the 55-year term of the regulatory period.

Based on the current estimated aggregate 2023F Bonds par of \$39,807,713 as provided in the Borrower's proforma dated August 24, 2023, the City's policy would require an issuance fee of \$124,519. The final fee will be based on the final aggregate par issued, subject up to a not-to-exceed amount of \$1,150,000 for the Series 2023 F-1 Bonds and \$38,657,713 for the Series 2023 F-2 Bonds.

City Annual Bond Monitoring Fee

In general, the City annual monitoring fee typically is equal to 0.125% of the original principal amount of the bonds issued. The annual fee may be reduced for not-for-profit developers to an amount equal to 0.125% of the permanent bond amount at the Conversion Date, subject to a minimum annual fee of \$7,500. This fee shall apply until the end of the 55-year term of the regulatory period.

Based on the Borrower's estimate of an outstanding 2023F-1 Bonds par of \$1,150,000 at Conversion, the City would charge an annual monitoring fee of \$49,760 during construction and lease-up, and following Conversion, an annual monitoring fee of \$7,500 throughout the 55-year Regulatory Agreement term. If the 2023F Bonds mature or are redeemed prior to maturity, the City has the option to require the Borrower to prepay the annual fee due for the remainder of the Regulatory Agreement term.

As the 2023F Bonds do not involve a 'related party' transaction under federal tax law, the City will be entitled to collect its full fees under the City Policy for Issuance of Multifamily Housing Revenue Bonds.

Climate Smart San José Analysis

The recommendation in this memorandum aligns with one or more of Climate Smart San José energy, water, or mobility goals. The Parkmoor Community Apartments development will be Green Point Rated and will be 100% electric. Sustainability features and materials include Energy Star appliances, energy efficient dual pane windows, sunshades, solar photovoltaic panels, and electric vehicle charging parking stations.

EVALUATION AND FOLLOW-UP

This memorandum presents the set of recommendations related to the City Council's approval of the issuance of the 2023F Bonds and requires no follow-up to the City Council. Once the 2023F Bonds close, anticipated in November 2023, and the construction of the Parkmoor Community Apartments development commences, the Housing Department will provide updates in its Housing production dashboard periodically posted at www.sjhousing.org.

COST SUMMARY/IMPLICATIONS

The Borrower will pay all issuance costs of the 2023F Bonds from tax credit equity and/or Borrower funds. The 2023F Bonds will not be paid from, nor secured by, the general taxing power of the City or any other City asset.

The City is expected to receive revenue from the issuance of the 2023F Bonds in the amount of \$124,519 and annual monitoring in the amounts of \$49,760 during construction and \$7,500 after construction and lease-up.

HONORABLE MAYOR AND CITY COUNCIL

September 11, 2023

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds Thereof for the Financing of the Parkmoor Community Apartments and Approving Related Documents

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COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

The method of notifying the community of the City's intent to issue the tax-exempt private activity bonds is the Tax Equity and Fiscal Responsibility Act hearing. This hearing was held on August 31, 2023, before the Director of Finance. The public hearing notice for this hearing was published in the *San José Post - Record* on August 18, 2023. No public comments were made at the Tax Equity and Fiscal Responsibility Act hearing.

This memorandum and the 2023F Bonds Documents will be posted on the City's Council Agenda website for the October 3, 2023 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

The project, 1510-1540 Parkmoor Avenue, is exempt from CEQA review per Public Resources Code Section 21080(b)(1) and CEQA Guidelines Section 15369, Ministerial Project pursuant to Government Code Section 65913.4, File No. ER20-109.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

RICK BRUNEAU
Director of Finance

/s/

ROSALYNN HUGHEY
Deputy City Manager and Acting Housing
Director

The principal authors of this memorandum are Shelsy Bass, Senior Development Officer, Housing Department and Jimmy Lin, Development Officer, Housing Department. For questions regarding the

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financing plan, please contact Qianyu Sun, Deputy Director of Finance – Debt & Treasury Management, at Qianyu.Sun@sanjoseca.gov or (408) 535-7832. For questions regarding the project, please contact Ragan Henninger, Deputy Director, Housing Department, at ragan.henninger@sanjoseca.gov.

ATTACHMENTS:

Attachment A: Site Map

Attachment B: Sources and Uses

Attachment C: Key Financing Dates

Attachment D: Public Disclosure Report

ATTACHMENT A – SITE MAP

1510-1540 Parkmoor Avenue, San José, CA



ATTACHMENT B – SOURCES AND USES

City of San José – Parkmoor Community Apartments Plan of Finance – Sources and Uses of Funding

Sources	Construction	Permanent
2023F-1 Bonds	\$ 1,150,000	\$ 1,150,000
2023F-2 Bonds	38,657,713	0
City of San José Loan	12,760,569	14,038,144
County of Santa Clara Loan	20,000,000	20,000,000
Tax Credit Equity	3,522,736	35,227,357
General Partner Equity	0	425,100
Interest Income	1,419,287	3,403,718
Deferred Developer Fee	0	675,000
Accrued Deferred Interest	0	2,590,986
Total	\$ 77,510,305	\$ 77,510,305

Uses	
Acquisition Costs	\$ 848,637
Hard Costs (including contingency)	62,561,622
Soft Costs (including contingency)	9,700,046
Operating Reserve	800,000
Cash Developer Fee	2,500,000
Deferred Developer Fee	1,100,000
Total	\$ 77,510,305

Attachment C – KEY FINANCING DATES

The following are the key dates relating to the financing history of the Parkmoor Community Apartments development:

- January 31, 2023 – City Loan of up to \$16,826,688 for the Parkmoor Community Apartments development was approved by the City Council.
- February 3, 2023 - The Director of Finance and Director of Housing signed a declaration evidencing the intent to reimburse expenditures with the proceeds of obligation for the Parkmoor Community Apartments development in an amount not to exceed \$46,000,000.
- February 7, 2023 - The City and Developer submitted a joint application to California Debt Limit Allocation Committee and the California Tax Credit Allocation Committee for a tax-exempt private activity bond allocation of \$39,807,713, and \$3,743,907 in annual 4% federal tax credits.
- May 10, 2023 - The City received a tax-exempt private activity bond allocation from California Debt Limit Allocation Committee for the 2023F Bonds and the Borrower received a reservation of 4% Federal tax credits in the requested amounts.
- August 31, 2023 - The Director of Finance held a Tax Equity and Fiscal Responsibility Act hearing regarding the issuance of tax-exempt multifamily housing revenue obligations in an amount not to exceed \$46,000,000 to finance the construction of the Parkmoor Community Apartments development.
- September 8, 2023 – The Mayor certified the actions of the Director of Finance.

ATTACHMENT D – PUBLIC DISCLOSURE REPORT

PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the “Borrower”) identified below has provided the following required information to the City of San José (the “City”) prior to the City’s regular meeting (the “Meeting”) of its City Council (the “City Council”) at which Meeting the City Council will consider the authorization of conduit revenue Bond as identified below.

1. Name of Borrower: **Allied 1510 Parkmoor, L.P., a California limited partnership.**
2. City Council Meeting Date: **October 3, 2023.**
3. Name of Bond Issue / Conduit Revenue Obligations: **City of San José Multifamily Housing Mortgage-Backed Bonds (Parkmoor Community Apartments) Series 2023F-1 (M-TEMs) and Revenue Bonds Series 2023F-2 (Cash Collateralized) (the “Bonds”)**
4. Private Placement Lender or Bond Purchaser, Underwriter or Financial Advisor (mark one) engaged by the Borrower from which the Borrower obtained the following required good faith estimates relating to the Bond:

(A) The true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of the Bond (to the nearest ten-thousandth of one percent): **4.4935%**

(B) The estimated finance charges of the Bond, which mean the sum of all fees and charges paid to third parties: **\$500,000**

(C) The amount of proceeds received, or deemed received, by the public body for sale of the Bond less the finance charges of such Bond described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of such Bond: **\$39,307,000**

(D) The total payment amount, which means the sum of all payments the Borrower will make to pay debt service on the Bond plus the finance charges of the Bond described in subparagraph (B) not paid with the proceeds of such Bond (which total payment amount shall be calculated to the final maturity of such Bond): **\$48,305,737.34**

This document has been made available to the public at the Meeting of the City Council.

Dated: August 31, 2023

Information Provided by: Stifel, Nicolaus & Company, Inc.