



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván
Maria Öberg

SUBJECT: See Below

DATE: May 19, 2025

Approved

Date:

5/20/25

COUNCIL DISTRICT: 9

SUBJECT: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds thereof for the Financing of Arcade, an Affordable Housing Project, and Related Documents

RECOMMENDATION

Adopt a resolution:

- (a) Authorizing the issuance of (1) tax-exempt multifamily housing revenue bonds designated as “City of San José Multifamily Housing Revenue Bonds (Fannie Mae MBS Secured) (Arcade), Series 2025A-1” and (2) tax-exempt multifamily housing revenue bonds designated as “City of San José Multifamily Housing Revenue Bonds (Arcade), Series 2025A-2,” collectively referred to as the “2025A Bonds”, in an aggregate principal amount not to exceed \$73,708,167;
- (b) Approving the loan of 2025A Bond proceeds to Kooser Apartments, L.P., a California limited partnership, to finance the acquisition, construction, and development of a 191-unit multifamily development known as Arcade located at 1371 Kooser Road in San José;
- (c) Approving in substantially final form an Indenture of Trust, a Financing Agreement, a Regulatory Agreement and Declaration of Restrictive Covenants, a Bond Purchase Agreement, and a Preliminary Official Statement, and related documents collectively, the 2025A Bond Documents; and
- (d) Authorizing and directing the City Manager, Housing Director, Director of Finance, Assistant Director of Finance, Deputy Director - Debt and Treasury Management or their designees, to negotiate, execute, and deliver the 2025A Bond Documents, together with any document ancillary to the 2025A Bond

May 19, 2025

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds thereof for the Financing of the Arcade, an Affordable Housing Project, and Approving Related Documents

Page 2

Documents or necessary or convenient for issuance and sale of the 2025A Bonds and loan of the proceeds thereof.

SUMMARY AND OUTCOME

In accordance with the City's Council Policy 1-16, Policy for Issuance of Multifamily Housing Revenue Bonds,¹ Affirmed Housing Group, Inc., a Delaware corporation doing business in California as Affirmed Housing Partners, has requested that the City issue:

- 1) A tax-exempt multifamily housing revenue bond designated as "City of San José Multifamily Housing Revenue Bonds (Fannie Mae MBS Secured) (Arcade), Series 2025A-1" (the 2025A-1 Bonds); and
- 2) A tax-exempt multifamily housing revenue bonds designated as "City of San José Multifamily Housing Revenue Bonds (Arcade), Series 2025A-2 (the 2025A-2 Bonds), collectively referred to as the "2025A Bonds", in an aggregate amount not to exceed \$73,708,167.

The 2025A Bonds will be initially sold to the public through Lument Securities, LLC, the underwriter for the 2025A Bonds (Underwriter).

Approval of the recommended actions will enable the issuance of the 2025A Bonds to finance a portion of the costs to acquire, construct, and develop the Arcade development located at 1371 Kooser Road (Arcade), a 191-unit affordable housing project, including two units serving as unrestricted manager's units and 189 units restricted to lower income households,² which will remain affordable for a period of at least 55 years from the completion of construction. Arcade will be subject to affordability restrictions imposed by the California Tax Credit Allocation Committee.

The proceeds of the 2025A Bonds will be loaned to Kooser Apartments, LP, a California limited partnership (Borrower) an entity formed by Affirmed Housing Group. The Borrower will use these proceeds and other funds to finance the Arcade development.

BACKGROUND

Borrower

The Borrower is a California limited partnership formed by Affirmed Housing Group, Inc., a Delaware corporation doing business in California as Affirmed Housing Partners.

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

² Lower-income households as defined in accordance with the California Health and Safety Code section 50079.5.

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds thereof for the Financing of the Arcade, an Affordable Housing Project, and Approving Related Documents

Arcade's organization chart includes AGH Kooser, LLC, a California limited liability company, as the administrative general partner, CFAH Housing, LLC, as the managing general partner, and Bank of America, N.A., as the Investor Limited Partner.

Affirmed Housing Group requested that the City issue the 2025A Bonds and loan the bond proceeds to the Borrower for the purpose of financing Arcade. The 2025A Bonds will be subject to the state's annual federal tax-exempt private activity bond volume cap allocated by the California Debt Limit Allocation Committee (CDLAC).

Arcade Overview

The Borrower is proposing to develop, own, and manage Arcade, which consists of a seven-story development with 189 rent-restricted affordable studios, one-, two-, and three-bedroom units, and two unrestricted manager's units on an approximately 1.62-acre site. The construction is anticipated to commence immediately upon the issuance of the 2025A Bonds and funding of the tax credit equity, and will be completed in approximately 31 months after the issuance. The financing history of this project is provided as Attachment A – Key Financing Dates.

The rent limits and maximum incomes for this development are listed in Table 1.

Table 1 – Arcade's Rent Limits and Maximum Income

Unit Size	Up to 30% AMI		Up to 40% AMI		Up to 50% AMI		Up to 60% AMI		Up to 70% AMI	
	Max Income**	Rent Limit	Max Income**	Rent Limit	Max Income**	Rent Limit	Max Income**	Rent Limit	Max Income**	Rent Limit
Studio	\$38,730	\$968	\$51,640	\$1,291	\$64,550	\$1,613	\$77,460	\$1,936	\$90,370	\$2,259
One-Bedroom	\$44,250	\$1,037	\$59,000	\$1,383	\$73,750	\$1,728	\$88,500	\$2,074	\$103,250	\$2,420
Two-Bedroom	\$49,770	\$1,244	\$66,360	\$1,659	\$82,950	\$2,073	\$99,540	\$2,488	\$116,130	\$2,903
Three-Bedroom	\$55,290	\$1,244	\$73,720	\$1,917	\$92,150	\$2,396	\$110,580	\$2,875	\$129,010	\$3,354
Manager's Units	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**California Tax Credit Allocation Committee income limits are based on the California Department of Housing and Community Development occupancy guidelines of one person per bedroom, plus one.

Construction Schedule

Construction is expected to commence in June 2025 and be completed by December 2027.

May 19, 2025

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds thereof for the Financing of the Arcade, an Affordable Housing Project, and Approving Related Documents

Page 4

City Loan for the Arcade Development

On March 26, 2024,³ the City Council approved a loan to the Borrower for eligible development costs of up to \$17,616,800 during the construction period (City Construction Loan) and up to \$19,551,066 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 was the Inclusionary Fee Fund and the Low and Moderate-Income Housing Asset Fund. Table 2 displays the City's funding sources for the total City Loan amount as approved by City Council in March 2024.

Table 2: City Loan Funding Sources

Funding Source	Funding Amount
Inclusionary Fee Fund	\$13,638,616
Low and Moderate-Income Housing Asset Fund	5,912,450
Total	\$19,551,066

*The loan amount allocated from the Inclusionary Fee Fund represents 26% of the revenue collected over a five-year period.

City as Issuer of Multifamily Housing Bonds

In accordance with the City's policy for the issuance of multifamily housing revenue bonds (City Council Policy 1-16), the City may issue tax-exempt multifamily housing revenue obligations in connection with the financing or refinancing of rental housing projects within the City.

Sources of Arcade Funding

The 2025A Bonds will fund a portion of the total Arcade development costs, which are currently estimated at \$160,637,748. Based on the Borrower's proforma⁴ dated April 23, 2025, during the construction period, the 2025A Bonds will be issued in an estimated amount of \$73,708,167.

³ File: 24-74767, Item #: 8.3, Meeting Date: March 26, 2024, Item Title: Actions Related to Loan Commitments and Land Purchases for Kooser Apartments Located at 1371 Kooser Road and 525 North Capitol Avenue for the Development of Two New Affordable Rental Housing Developments, Web Link: <https://sanjoseca.primegov.com/api/compilemeetingattachmenthistory/historyattachment/?historyId=152fd1a6-3d2e-4bc6-a01b-27e2c1b67118>

⁴ Proformas are financial projections used to evaluate a project's expected costs, revenues, and financial feasibility.

The estimated sources and uses of funding for the Arcade development construction and permanent phases are provided in Attachment B – Sources and Uses to this memorandum. Attachment A – Key Financing Dates, previously referenced in this memorandum, includes additional background on the project's financing history.

ANALYSIS

Overview of the Multifamily Housing Revenue Bond Financing

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 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 the California Health and Safety Code Sections 52075-52098. In accordance with this, the City is authorized to issue the 2025A 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 2025A Bonds are subject to the state's annual federal tax-exempt private activity bond volume cap allocated by the CDLAC.

The 2025A 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 the area median income; or
- 2) At least 40% of the units must be reserved for occupancy by individuals and families whose income is 60% or less of the area median income.

While this restriction will be incorporated into the Regulatory Agreement for the 2025A Bonds, Arcade will also be subject to additional affordability restrictions, including those

May 19, 2025

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds thereof for the Financing of the Arcade, an Affordable Housing Project, and Approving Related Documents

Page 6

imposed by CDLAC, the County of Santa Clara Office of Supportive Housing, and the City.

Structure of the 2025A Bonds

Public Offering Structure

The 2025A Bonds will be structured as rated “A” or better and credit-enhanced obligations that are sold to the public by the Underwriter in two series: a permanent series, being the 2025A-1 Bonds, and a construction-only series, being the 2025A-2 Bonds.

The proceeds of the 2025A-1 Bonds and 2025A-2 Bonds will be deposited into 2025A-1 and 2025A-2 bond proceeds accounts, respectively, held by the Trustee under the Indenture (each, a Bond Proceeds Account). Simultaneously with the issuance of the 2025A Bonds, Bank of America, N.A., will make a direct taxable construction loan to the Borrower (the Construction Loan). As amounts in the 2025A-1 Bond Proceeds Account and 2025A-2 Bond Proceeds Account are disbursed to pay eligible project costs, a like-amount of proceeds of the Construction Loan will be drawn and deposited into 2025A-1 and 2025A-2 collateral accounts, respectively, held by the Trustee under the Indenture (each, a Collateral Account).

Until conversion to permanent financing (Conversion), each series of 2025A Bonds will be cash-collateralized by amounts in the related Bond Proceeds Account and Collateral Account.

The 2025A-2 Bonds are subject to mandatory tender⁵ under the Indenture, and the initial mandatory tender date will be specified in the Official Statement (the Initial Mandatory Tender Date). On the Initial Mandatory Tender Date, the 2025A-2 Bonds are expected to be repaid from amounts in the 2025A-2 Collateral Account. However, the Borrower may, under the Financing Agreement, elect to cause the 2025A-2 Bonds to be remarketed.

Upon Conversion, the Construction Loan will be repaid from proceeds of a permanent loan to be made by Lument Real Estate Capital, LLC, to the Borrower (the Permanent Loan) and tax credit equity, and the Trustee will be authorized by the Indenture to use eligible funds to purchase a Mortgage-Backed Security issued and credit-enhanced by Fannie Mae. Such Mortgage-Backed Security will secure the payment of interest and principal of 2025A-1 Bonds.

⁵ Refers to a specific date on which bondholders are required to submit (or "tender") their bonds for repurchase.

May 19, 2025

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds thereof for the Financing of the Arcade, an Affordable Housing Project, and Approving Related Documents

Page 7

Principal Amounts and Terms

Based on current projections, the estimated principal amount of the 2025A-1 Bonds will be \$42,710,000 and the estimated principal amount of the 2025A-2 Bonds will be \$30,998,000. The aggregate estimated principal amount of the 2025A Bonds will be \$73,708,167.

The Series 2025A-1 Bonds are expected to convert from construction to permanent loan phase on or prior to July 1, 2028, subject to two six-month extensions and to further potential extensions at the sole discretion of Fannie Mae. The mandatory tender date for the 2025A-2 Bonds is expected to be August 1, 2028.

Interest Rate

The 2025A Bonds will be sold to the public through a competitive process to achieve the lowest interest rates at the time of sale. Both bond series will be fixed-rate with semi-annual payments. As of the first week of April 2025, Series 2025A-1 Bonds will have an estimated interest rate of 4.75 per annum, and Series 2025A-2 Bonds will have an estimated interest rate of 3.10% per annum.

Financing Documents

The following is a brief description of the Indenture of Trust, the Financing Agreement, Regulatory Agreement, and Declaration of Restrictive Covenants, Bond Purchase Agreement, and Preliminary Official Statement. The staff recommendation requests City Council to approve and authorize the execution of these documents. Copies of these documents will be posted on the City's Council Agenda website in advance of the June 10, 2025 meeting.

Indenture of Trust

The 2025A Bonds will be issued under an Indenture of Trust (the Indenture) between the City (the Issuer) and Computershare Trust Company, N.A., as trustee (the Trustee). The Indenture will be executed by the Director of Finance or another authorized officer, on behalf of the Issuer. Pursuant to the Indenture, the Trustee is authorized to receive, hold, invest, and disburse 2025A Bonds proceeds and other funds established thereunder; to authenticate the 2025A Bonds; to apply and disburse payments to the bondholder(s); and to 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 Indenture.

Financing Agreement

The Financing Agreement is among the Issuer and the Borrower, corresponding to the Indenture, and executed by the Director of Finance or another authorized officer on behalf of the Issuer. The Financing Agreement provides for the loan of 2025A Bond proceeds to the Borrower for the construction of Arcade, and for the repayment of such loan by the Borrower. The loan of 2025A Bonds proceeds will be evidenced by mortgage notes that correspond to the repayment terms of the related 2025A Bonds. The Issuer's rights to receive payments under the Bonds will be assigned to the Trustee, along with certain other rights under the Indenture; however, certain reserved rights have been retained by the Issuer, such as the Issuer's right to receive fees, notices and to indemnification.

Regulatory Agreement and Declaration of Restrictive Covenants

The Regulatory Agreement and Declaration of Restrictive Covenants (the Regulatory Agreement) is between the Issuer and the Borrower. The Regulatory Agreement contains certain covenants and restrictions regarding the Arcade and its operations, intended to assure 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, or other authorized officers, on behalf of the Issuer. The Regulatory Agreement encumbers Arcade for a period of at least 55 years after 50% of the units in Arcade are first occupied.

Bond Purchase Agreement

The Bond Purchase Agreement is among the Issuer, the Underwriter and the Borrower. The Bond Purchase Agreement describes the principal amount(s), the underwriter's fee, and the coupon(s) and yield(s) of the proposed 2025A Bonds, all of which will be determined at the time of the bond sale. All these factors will be finalized at the time of bond sale and will determine the cost of borrowing, subject to the limitations of the proposed resolution.

Preliminary Official Statement

The Preliminary Official Statement is an informational disclosure document released prior to the sale of the 2025A Bonds and is followed by a final Official Statement after pricing the 2025A Bonds and prior to closing. The Preliminary Official Statement describes the 2025A Bonds, their security and sources for payment, associated risk factors, and other pertinent financial matters. The final Official Statement will be 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

2025A Bonds, the interest rate(s) on each maturity, the offering price, the redemption provisions, and delivery date(s).

The distribution of the Preliminary Official Statement and the final Official Statement is subject to the 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 2025A 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, the agency with regulatory authority over compliance with the federal securities laws, 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, like the 2025A Bonds, whether relating to their repayment, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. The steps that a member of the 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 for the 2025A Bonds consists of the following participants.

- **City's Municipal Advisor:** PFM Financial Advisors LLC
- **Bond Counsel:** Anzel Galvan LLP
- **Trustee:** Computershare Trust Company, N.A.
- **Taxable Lender:** Bank of America, N.A.
- **Underwriter:** Lument Securities, LLC

Payment of all costs associated with the City's Municipal Advisor, Bond Counsel, Trustee, and Underwriter is contingent upon the sale of the 2025A Bonds and will be paid from 2025A Bonds proceeds, tax credit equity, and/or Borrower funds.

Financing Schedule

The current proposed schedule is as follows:

- Council Approval of 2025A Bond Documents June 10, 2025
- Bond Pricing (tentative) June 16, 2025
- Bond Closing (tentative) June 26, 2025
- Deadline for 2025A Bond Closing June 30, 2025

Public Disclosure Report Relating to Conduit Revenue Obligations

The Borrower has prepared the attached public disclosure report pursuant to California Government Code Section 5852.1, which is provided as Attachment C – Public Disclosure Report to this memorandum, providing good faith estimates of certain costs associated with the issuance of the 2025A Bonds.

City Bond Issuance and Monitoring Fees

City Policy For the Issuance of Multifamily Housing Revenue Bonds

The City's policy for the 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 is an amount equal to 0.125% of the original par amount of tax-exempt bonds issued for the 55-year term of the regulatory period.

Based on the current estimated aggregate 2025A Bonds par⁶ of \$73,708,167 as provided in the Borrower's proforma dated April 23, 2025, the City's policy would require an issuance fee of \$209,270. The final fee will be based on the final aggregate par issued, subject to a not-to-exceed amount of \$73,708,167.

City Annual Bond Monitoring Fee

The Housing Department is charged with monitoring the project. In general, the City annual monitoring fee typically is equal to 0.125% of the original principal amount of the tax-exempt 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 current estimated aggregate 2025A Bonds par of \$73,708,167 as provided in the Borrower's proforma dated April 23, 2025, the City's policy would require an annual monitoring fee of \$92,135. The final fee will be based on the final aggregate par issued, subject to a not-to-exceed amount of \$73,708,167. If the 2025A 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.

⁶ Refers to the principal amount of a bond or the total principal amount of a bond series or issue.

Unit Area Medium Income Mix Change

The following represents a change from Arcade's unit mix previously approved by City Council on March 26, 2024. Affirmed revised the unit mix to accommodate 36 homelessness prevention system units, which made the application more competitive for CDLAC round 2 (awarded on December 11, 2024), which prioritized homeless housing. While the Housing Director's delegation of authority allows a change of up to 10% of total units, Arcade's change is 20% of the total units. Due to the Area Medium Income mix change being greater than what is authorized under the Housing Director's delegated authority, the revised proposal now requires City Council approval. Table 3 summarizes the new, revised unit mix.

Table 3 – Arcade's Revised Area Medium Income Unit Mix

Rent Limit Summary Table						
Area Medium Income	Total	Studio	1 Bedroom	2 Bedrooms	3 Bedrooms	% Total
30%	50	20	10	10	10	26%
40%	17	8	3	2	4	9%
50%	63	44	5	10	4	33%
60%	39	3	0	16	20	20%
70%	20	0	0	10	10	10%
Manager's Unit	2	0	0	0	2	1%
Total	191	75	18	48	50	100%

EVALUATION AND FOLLOW-UP

This Housing Department produces periodic information memoranda regarding the use of the Housing Director's delegation of authority under the San José Municipal Code; therefore, final bond business terms will be summarized in those memoranda. In addition, the Housing Department posts periodic reports on the status of its affordable properties undergoing rehabilitation or construction on its website.⁷ If the recommended actions in this memorandum are approved and the Arcade development successfully closes construction financing, it will be included in these periodic reports. Once the 2025A Bonds close, anticipated in June 2025, and the construction of Arcade

⁷ Housing Department affordable properties webpage, Web Link: <https://www.sanjoseca.gov/your-government/departments-offices/housing/homelessness-program-dashboard>

May 19, 2025

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds thereof for the Financing of the Arcade, an Affordable Housing Project, and Approving Related Documents

Page 12

commences, the Housing Department posts periodic reports on the status of its affordable properties undergoing rehabilitation or construction on its website.⁸

COST SUMMARY/IMPLICATIONS

The Borrower will pay all issuance costs of the 2025A Bonds from tax credit equity and/or Borrower funds. The 2025A 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 2025A Bonds in the amount of \$209,270 and annual monitoring in the amount of \$92,135. The revenue received will be deposited into the Housing Trust Fund.

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. The Tax Equity and Fiscal Responsibility Act Hearing was held on April 30, 2025, before the Director of Finance. The public hearing notice for this hearing was published in the *San José Post-Record* on April 23, 2025. No public comments were made at the Tax Equity and Fiscal Responsibility Act hearing.

This memorandum will be posted on the City's Council Agenda website for the June 10, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

⁸ Housing Department affordable properties webpage, Web Link: <https://www.sanjoseca.gov/your-government/departments-offices/housing/homelessness-program-dashboard>

HONORABLE MAYOR AND CITY COUNCIL

May 19, 2025

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds thereof for the Financing of the Arcade, an Affordable Housing Project, and Approving Related Documents

Page 13

CEQA

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/

Erik L. Soliván
Housing Director

/s/

Maria Öberg
Director of Finance

For questions regarding the financing plan, please contact Qianyu Sun, Deputy Director, Finance Department, at Qianyu.Sun@sanjoseca.gov. For questions regarding the project, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov.

ATTACHMENTS:

A: Key Financing Dates

B: Sources and Uses

C: Public Disclosure Report

Attachment A: Key Financing Dates

- March 24, 2024 – City Loan of up to \$19,551,066 for the Arcade development was approved by City Council.
- April 22, 2024 – The Director of Finance and Assistant Director of Housing signed a declaration evidencing the intent to reimburse expenditures with the proceeds of obligation for the Arcade development in an amount not to exceed \$75,000,000.
- August 27, 2024 – 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 \$73,708,167 in annual 4% federal tax credits.
- December 11, 2024 – The City received a tax-exempt private activity bond allocation from California Debt Limit Allocation Committee for the 2025A Bonds and the Borrower received a reservation of 4% Federal tax credits in the requested amounts.
- April 30, 2025 – 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 \$73,708,167 to finance the construction of the Arcade development.

Attachment B: Sources and Uses

City of San José – Arcade

Plan of Finance – Sources and Uses of Funding

Sources	Construction	Permanent
2025A-1 Bonds	\$ 42,710,000	\$ 41,565,000
2025A-2 Bonds	30,998,000	0
City of San José Loan	17,616,800	19,551,066
County of Santa Clara Loan	2,000,000	2,000,000
Tax Credit Equity	52,536,350	83,534,350
Deferred Developer Fee	5,700,000	5,700,000
Public Bond Interest	8,287,331	8,287,331
Other Sources	786,266	0
Total	<u>\$ 160,637,748</u>	<u>160,637,748</u>

Uses

Hard Costs (including contingency)	\$ 111,544,189
Soft Costs (including contingency)	37,393,559
Cash Developer Fee	11,700,000
Total	<u>\$ 160,637,748</u>

Attachment C: 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: Kooser Apartments, L.P., a California limited company
- 2) City Council Meeting Date: **June 10, 2025.**
- 3) Name of Bond Issue / Conduit Revenue Obligations: **CSJ MHRB (Arcade) Series 2025A-1 (Fannie Mae Mortgage-Backed Security Secured), and Series 2025A-2 (Cash Collateralized) (the Bonds).**
- 4) Private Placement Lender or Bond Purchaser, Underwriter or X 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): **4.8821%**
 - b) Estimated finance charges of the Bond, which means the sum of all fees and charges paid to third parties: **\$844,961**
 - 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: **\$72,440,039**
 - 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): **\$114,065,891**

This document has been made available to the public for the June 10, 2025, City Council meeting.