



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand
Rick Bruneau
Jim Shannon

SUBJECT: SEE BELOW

DATE: April 10, 2023

Approved

Date

4/18/2023

COUNCIL DISTRICT: 5

SUBJECT: APPROVAL OF THE ISSUANCE OF TAX-EXEMPT MULTIFAMILY HOUSING REVENUE NOTES AND THE LOAN OF THE PROCEEDS THEREOF AND APPROVING RELATED DOCUMENTS FOR THE 1860 ALUM ROCK APARTMENTS PROJECT AND AN INCREASE TO THE COMMITMENT FOR THE CITY COUNCIL APPROVED CONSTRUCTION-PERMANENT LOAN

RECOMMENDATION

(a) Adopt a resolution:

- (1) Authorizing the issuance of a: (1) tax-exempt multifamily housing revenue note designated as “City of San José Multifamily Housing Revenue Note (1860 Alum Rock Apartments), Series 2023A-1 (Tax-Exempt)” in a principal amount not to exceed \$29,468,877 (the 2023A-1 Note) and; (2) taxable multifamily housing revenue note designated as “City of San José Multifamily Housing Revenue Note (1860 Alum Rock Apartments), Series 2023A-2 (Taxable)” in a principal amount not to exceed \$4,000,000 (the 2023A-2 Note and with the 2023A-1 Note, the 2023A Notes);
- (2) Approving the loan of 2023A Notes proceeds to Alum Rock, L.P., a California limited partnership created by Charities Housing Development Corporation of Santa Clara County, a California nonprofit public benefit corporation, to finance the construction and development of a 60-unit multifamily development known as 1860 Alum Rock Apartments located at 1860 Alum Rock Avenue in San José (the Development);
- (3) Approving in substantially final form the Funding Loan Agreement, the Borrower Loan Agreement, Regulatory Agreement and Declaration of Restrictive Covenants, the Contingency Draw-Down Agreement and related documents (collectively, the 2023A Note Documents); and
- (4) Authorizing and directing the City Manager, Director of Housing, Director of Finance, Assistant Director of Housing, Assistant Director of Finance, Deputy

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Director, Debt and Treasury Management, or their designees, to execute and deliver the 2023A Note Documents together with any documents ancillary to the 2023A Note Documents.

(b) Adopt a resolution:

- (1) Approving the Relocation Plan for the preexisting commercial tenants at the Development, prepared by Autotemp dated October 2022; and
- (2) Authorizing an increase of up to \$587,753, from \$7,500,000 to \$8,087,753 using Measure E Funds, to the City Council approved construction-permanent loan commitment to Alum Rock, LP., a California limited partnership, to provide funds to complete tenant improvements to the commercial space for the community-based non-profit Amigos de Guadalupe.

(c) Adopt the following Fiscal Year 2022-2023 Appropriation Ordinance amendments in the General Fund:

- (1) Decrease the Measure E – 30% Low-Income Households Reserve by \$587,753; and
- (2) Increase the Measure E – 30% Low-Income Households appropriation by \$587,753.

SUMMARY AND OUTCOME

Approval of the recommended actions will enable the issuance of tax-exempt and taxable multifamily housing revenue notes for the purpose of financing a portion of the costs to construct the Development. This is a 60-unit affordable rental apartment project, with 59 apartments restricted to low and extremely low-income households (and one unrestricted manager's units) for at least 55 years following completion.

The Development will serve residents with current maximum annual incomes between 30% and 50% of area median income (AMI) as adjusted for family size in accordance with California Health and Safety Code. Through a partnership with the County of Santa Clara's Office of Supportive Housing (OSH), 30 of the units will be set aside for tenants in the County's Rapid Rehousing program, which prioritizes residents who are experiencing homelessness. These units will be restricted at up to 30% AMI levels. Twenty-six of the units restricted at up to 50% AMI will be supported by Section 8 Project Based Vouchers for a period of at least 20 years. The requested increase in the City loan commitment (the City Loan) will enable Alum Rock L.P. (the Borrower) to complete tenant improvements for the community-based non-profit Amigos de Guadalupe, which will serve tenants and residents of the Mayfair community.

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BACKGROUND

Charities Housing is proposing to develop, own, and manage a new mixed-use 60-unit 100% affordable housing development located on an 0.66-acre site. The development will consist of one five-story building with four-stories of wood-framed residential apartments 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 May 18, 2023.

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

- (1) General Partner: Alum Rock Charities LLC, a California limited liability company, the sole member of which is Charities Housing Development Corporation, the Developer.
- (2) Limited Partner: An entity to be formed by Hudson Housing Capital.

The Developer has requested the City issue the 2023A Notes for the purpose of lending the proceeds to the Borrower. The proceeds of the 2023A Notes, together with other funds, will be used to finance the construction of the Development.

Site: The development site is located at 1860 Alum Rock Avenue. For reference, a site map is provided as **Attachment A – Site Map**.

Development Overview. The Development involves the construction of: (a) 59 studio, one-bedroom, two-bedroom and three-bedroom apartments with affordability restrictions and (b) one unrestricted two-bedroom manager's unit. The affordability restrictions for the Development will remain for a period of at least 55 years from the completion of construction. The unit mix and affordability levels by AMI is provided in the table below.

1860 Alum Rock Apartments	30% AMI	Monthly Rent	50% AMI	Monthly Rent	Total
Studio	9	\$848	1	\$1,474	10
1 Bedroom	17	\$948	2	\$1,580	19
2 Bedroom	2	\$1,137	13	\$1,896	16*
3 Bedroom	2	\$1,264	13	\$2,116	15
Total	30		29		60

* Includes the unrestricted manager's unit

Through a partnership with the County's OSH, 30 units will be set aside for tenants in the County Rapid Rehousing program, which prioritizes residents who are experiencing homelessness. These units will be restricted at up to 30% AMI levels. Twenty-six of the 29 units that are restricted at up to 50% AMI, will be supported by Project Based Vouchers for at least 20 years. An agreement to enter into a Housing Assistance Payment contract between the Borrower

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and Santa Clara County Housing Authority will be provided with respect to these 26 units prior to the 2023A Notes closing.

The Development will consist of a five-story building with four stories of wood-framed residential apartments above a ground floor concrete podium. The ground floor level will contain approximately 3,100 square feet of commercial space, residential common area, utility spaces, bicycle storage and enclosed parking. The building will be served by one elevator.

Residential amenities include: secured bike storage; property management and resident service offices; laundry facilities; a large community room with an attached kitchen for staff and resident use; a food pantry; a fifth-floor terrace; and a large, second-floor outdoor landscaped courtyard. There will be a total of 42 parking spaces – 35 residential and 7 commercial.

The Developer has partnered with Amigos de Guadalupe to develop a new Amigos de Guadalupe Center for Justice and Empowerment in the commercial portion of the Development. From its current location across the street from the Development, Amigos de Guadalupe provides East San José with services that include education, housing, immigration and advocacy. The Borrower intends to lease the commercial space to Amigos de Guadalupe for \$1 per month for a minimum of 10 years with a five-year option to renew.

The Development will be constructed on a parcel that is currently owned by the Borrower. The site will be acquired by the County and leased back to the Borrower for a term of at least 55 years from the completion of construction. The County has committed to a total investment of \$8,600,000. This included an acquisition/predevelopment loan to the Borrower which was used to acquire the parcel and repay a portion of a predevelopment loan from the Apple Affordable Housing Fund (administered by Housing Trust Silicon Valley). The County's total investment exceeds the City proposed investment of \$8,087,753 which is why the County will hold the parcel.

The Development will be subject to low-income housing tax credit restrictions. The Housing Authority of the County of Santa Clara will provide project-based vouchers for the 26 units consisting of two- and three-bedroom units set-aside to households earning no more than 50% AMI. The City and the County will also provide funding subject to affordability restrictions.

Construction Schedule. Construction is expected to commence in June 2023 and run through December 2024, with 100% occupancy targeted for May 2025.

Demolition and Relocation. Some demolition is needed on the site to remove three existing buildings which are currently rented to three commercial tenants on a month-to-month basis. The Borrower has budgeted \$380,000 for relocation of the tenants. Autotemp, an experienced acquisition and relocation firm, was engaged to prepare a commercial relocation plan that was initially submitted to California Tax Credit Allocation Committee. The relocation plan is

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provided as **Attachment B** – Alum Rock Multifamily Commercial Relocation Plan. The relocation plan identifies three commercial occupants, all of which will be permanently displaced, but are eligible for relocation benefits. The relocation plan provides the procedures to be followed by the Developer to relocate these tenants consistent with state and federal relocation law. The Developer has indicated the commercial tenants have been noticed as required under the plan and will be relocated by end of May 2023 in order to begin construction in June. There are minor off-site improvements needed totaling \$504,885. These improvements include sidewalk work, storm/sanitary sewer improvements, trench work, and the cost of the demolition and grading at the site.

City Loan for the Development. On June 21, 2022, the City Council approved a loan to the development of up to \$7,500,000. The City Loan will be accompanied by an 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 Development. The borrower is seeking an increase to its construction-permanent loan of \$587,753, which will be utilized to complete the tenant improvements in the ground floor commercial space. The commercial space is intended to be occupied by Amigos de Guadalupe, a community non-profit that focuses on housing for unsheltered families, rental and financial, immigration legal services, a rapid response network to protect community members from deportation, afterschool and summer education programs, scholarships and mentorship for first-generation college students, and community organizing and leadership development to make long-term policy and systems change. Assuming an increase in the loan amount is approved by the City Council, up to \$7,850,000 will be available for eligible development costs during the construction period (the City Construction Loan) and up to \$8,087,753 during the permanent period after construction and lease up, both funded from Measure E Funds.

City as Issuer of Multifamily Housing Bonds. The City Policy 1-16, Policy for Issuance of Multifamily Housing Revenue Bonds¹, requires the City to be the issuer of tax-exempt multifamily housing revenue obligations in connection with the financing or refinancing of affordable rental housing projects for which it has provided, or will be providing, a loan.

Prevailing Wages and Labor Standards. In accordance with City Resolutions No. 61144 and 61716, City prevailing wages policy will apply to the 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.

Sources of Project Funding. The 2023A Notes will fund a portion of the total Development costs, which are currently estimated to be \$58,796,584 based on the Borrower's pro forma dated February 14, 2023. According to that pro forma, the 2023A Notes will be drawn down during construction to an estimated aggregate amount of \$31,959,679 (\$29,457,157 of the Series

¹ Council 1-16 Policy for the Issuance of Multifamily Housing Revenue Bonds

<https://www.sanjoseca.gov/home/showpublisheddocument/12097/636918784470730000>

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2023A-1 Note and \$2,502,522 of the Series 2023A-2 Note) - which is currently less than the authorized amount of the 2023A Notes. During construction, the 2023A Notes will bear interest at a variable rate. Following the completion of construction of the Development and its lease-up (“at permanent”), the 2023A-2 Note will be repaid in full and the 2023A-1 Note will be repaid down to a remaining principal amount of approximately \$9,498,000, with the interest rate on the Series 2023A-1 Note converted to an anticipated fixed rate of 6.125%. The primary source of repayment of the 2023A Notes at permanent is anticipated to be low-income housing tax credit equity investment of \$25,970,276.

The sources and uses of funding for the Development’s construction and permanent phases currently are estimated as follows (*actual amounts may vary from these estimates*):

**City of San José – 1860 Alum Rock Apartments
Plan of Finance – Sources of Funding**

Source	Construction	Permanent
Citibank Tax-Exempt Note	29,457,156	9,498,000
Citibank Taxable Note	2,502,522	0
City of San José Loan	7,829,997	8,087,753
City of San José Loan Accrued Interest	257,756	0
County of Santa Clara Loan (and accrued interest)	9,006,176	9,006,176
Apple Affordable Housing Fund Loan	2,700,000	2,700,000
Federal Tax Credit Equity	2,597,028	25,970,276
State Tax Credits	100	681,540
Impact Fee Waiver	352,839	352,839
Deferred Costs	1,593,010	0
General Partner Capital Contribution (from Developer Fee)	1,124,741	1,124,741
Deferred Developer Fee	1,375,259	1,375,259
Total	58,796,584	58,796,584

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City of San José – 1860 Alum Rock Apartments

Plan of Finance – Uses of Funding at Permanent

Acquisition Costs (including Off-Site Improvements)	737,358
Construction	35,065,441
Architect & Engineering	1,560,375
Contingency	3,965,622
Construction Interest	5,505,957
Permit and Impact Fees	2,390,605
Issuance Costs	1,025,229
Miscellaneous Financing and Soft Costs	3,545,997
Developer Fee	5,000,000
Total	58,796,584

Financing History of the Project – Key Dates. The following are the key dates relating to the financing history of the Development:

- June 21, 2022 - City Loan for the Development was approved by the City Council.
- August 4, 2022 - The Director of Finance and Director of Housing signed a Declaration evidencing the intent to reimburse expenditures with the proceeds of obligation for the Development in an amount not to exceed \$38,000,000.
- August 9, 2022 - The City submitted a joint application to the California Debt Limit Allocation Committee and California Tax Credit Allocation Committee for a private activity allocation in the amount of \$29,468,887 in housing revenue bonds and \$2,773,549 in annual 4% federal tax credits and \$851,925 in total state tax credits.
- November 30, 2022 - The City received a private activity bond allocation from California Debt Limit Allocation Committee and the Borrower received a reservation of 4% federal tax credits and state tax credits in the requested amounts.
- March 27, 2023 - The Director of Finance held a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing regarding the issuance of tax-exempt multifamily housing revenue

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obligations in an amount not to exceed \$38,000,000 to finance the construction of the Development.

- March 27, 2023 - The Mayor certified the actions of the Director of Finance.

ANALYSIS

The Development will provide 59 homes restricted to affordable rent, with 30 homes set aside for households with incomes at or below 30% of AMI and 29 homes set aside for households with incomes at or below 50% of AMI, and one unrestricted manager's unit. Through a partnership with Amigos de Guadalupe, the Development offers a variety of on-site services for the residents and the community, including education, housing, immigration and advocacy. As such, the Development is anticipated to create approximately 200 new job opportunities in San José during construction and up to three jobs once open.

This section of the report outlines the key elements of the proposed structure for the bond issuance.

Bond Financing Structure

Overview of the Multifamily Housing Revenue Note Financing

General

Multifamily housing financing historically has involved the issuance of tax-exempt bonds and, as needed, taxable bonds, on behalf of private developers of qualifying affordable rental apartment projects. The City would issue such tax-exempt and taxable bonds and loan the proceeds to the developer/borrower. The advantages of tax-exempt financing to developers include below-market interest rates and low-income housing tax credits – features that are not available with a conventional multifamily housing mortgage loan.

The 2023A Notes operate in a similar manner to tax-exempt and taxable multifamily housing bonds. The City Charter provides that the City may issue revenue bonds and execute and deliver revenue notes pursuant to California law. The City is authorized to issue the 2023A Notes pursuant to California Health and Safety Code Sections 52075-52098, as amended (the Act), which authorizes cities to issue revenue bonds and execute and deliver revenue notes 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 notes for purposes of the Act. The 2023A-1 Note uses a portion of the State's annual federal tax-exempt private activity volume cap allocated by California Debt Limit Allocation Committee.

The 2023A-1 Note also allows the Development to qualify for tax credits provided through the California Tax Credit Allocation Committee. The 2023A Notes are limited obligations of the

City, payable solely from loan repayments by the Borrower and is not secured by the general taxing power of the City or any other asset of the City.

The note financing structure has become commonplace and is utilized because of a ruling of the Office of the Comptroller of the Currency that distinguished loans from bonds for purposes of Community Reinvestment Act credit. Banks have been utilizing the note financing approach on the belief that it meets the Office of the Comptroller of the Currency's definition of a Community Reinvestment Act loan as well as California Debt Limit Allocation Committee's requirements for tax-exempt financing.

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: either (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 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 area median income. While this second restriction will be incorporated into the Regulatory Agreement for the 2023A-1 Note, the Development will also be subject to additional affordability restrictions.

Structure of the 2023A Notes

Direct Purchase/Funding Structure

The 2023A Notes will be structured as non-rated and non-credit-enhanced obligations that are directly funded and purchased by Citibank. Pursuant to the City's policies regarding non-credit-enhanced bonds, Citibank will sign an Investor Letter acknowledging that it is a "qualified institutional buyer" or "accredited investor" that is, a sophisticated investor, as required under the City's Policy for the Issuance of Multifamily Housing Revenue Bonds, who understands and accepts the risks associated with unrated obligations secured solely by the Development's rents. The 2023A Notes may only be transferred in amounts representing not less than 15% of the outstanding principal amount of the applicable 2023A Note series, but no less than \$100,000, to an "Approved Transferee." An Approved Transferee includes (1) a Qualified Institutional Buyer under the Securities Act of 1933 which is also a financial institution or commercial bank having capital and surplus of at least \$5 billion, (2) an affiliate of Citibank, (3) a trust or custodial arrangement established by Citibank or one of its affiliates the beneficial interests in which will be owned only by Qualified Institutional Buyers. If the 2023A Notes are transferred to an Approved Transferee, the new holder must sign and deliver a similar Investor Letter to the City and Fiscal Agent.

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Principal Amounts and Terms

The authorized amounts will be \$29,468,877 for 2023A-1 Note and \$4,000,000 for 2023A-2 Note. Based on the Borrower's pro forma dated February 14, 2023, the Developer anticipates drawing up to \$29,457,157 from 2023A-1 Note and \$2,502,522 from 2023A-2 Note. After the Development is constructed and leased, and conversion to the permanent loan phase occurs (the Conversion Date), the 2023A-2 Note is expected to be repaid in full and the 2023A-1 Note is expected to be repaid down into a permanent loan amount that is estimated at \$9,498,000. The source of 2023A Notes repayment on the Conversion Date will be low-income housing tax credit equity. The Conversion Date is anticipated to occur approximately 31 months after 2023A Notes closing, subject to one six-month extension.

The maturity of the 2023A-1 Note is expected to be approximately 15 years after the Conversion Date. The 2023A-1 Note will amortize on a 40-year basis.

Interest Rate

During construction, the interest rate on the 2023A Notes will be variable and based on one-month term SOFR² plus a spread. The interest rate will convert to a fixed rate after the Conversion Date. The estimated permanent loan rate is approximately 6.00% based on the Borrower's pro forma dated February 14, 2023 – based on market conditions at the time plus a cushion of 0.50%. The actual fixed rate to take effect after the Conversion Date will be set prior to closing, which is expected to occur sometime in May 2023. That fixed rate will be set by reference to the 18-year US LIBOR Swap Index on the date of rate setting plus a spread.

Financing Documents

The following is a brief description of the documents the City Council is being asked to approve and authorize its execution. Copies of these documents will be available in the City Clerk's Office on or about April 10, 2023.

Funding Loan Agreement

The Funding Loan Agreement is among the City, Citibank, as funding lender and U.S. Bank Trust Company, National Association as fiscal agent (the Fiscal Agent). The Funding Loan Agreement will be executed by the Director of Finance, or another authorized officer, on behalf of the City, and attested by the City Clerk. Pursuant to the Funding Loan Agreement, the Fiscal Agent is authorized to receive, hold, invest, and disburse 2023A Note proceeds and other funds

² Acronym for "Secured Overnight Funding Rate," which represents a broad measure of the cost of borrowing collateralized by US Treasury securities. The SOFR index is the primary successor index to LIBOR (the "London Inter-Bank Offering Rate") which will be phased out on June 30, 2023. LIBOR had served as a benchmark for various interest rates. The SOFR rate is set by the New York Federal Reserve Bank.

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established thereunder; to authenticate the 2023 Notes; and to apply and disburse payments to the Noteholder. The Funding Loan Agreement allows for Citibank to pursue remedies on behalf of itself as the Noteholder. The Funding Loan Agreement sets forth the guidelines for the administration, investment and treatment of investment earnings generated by each fund and account, and restrictions relating to any subsequent transfer of the 2023A Notes. The Borrower Loan Agreement (described below) obligates the Borrower to compensate the Fiscal Agent for services rendered under the Funding Loan Agreement.

Borrower Loan Agreement

The Borrower Loan Agreement is among the City, the Fiscal Agent and the Borrower (the “Borrower Loan Agreement”). The Borrower Loan Agreement will be executed by the Director of Finance, or another authorized officer, on behalf of the City. The Borrower Loan Agreement provides for the loan of 2023A Note proceeds to the Borrower for the construction of the Development, and for the repayment of such loan by the Borrower. The loan of 2023A Note proceeds will be evidenced by two promissory notes (the “Borrower Notes”) that correspond to the repayment terms of the 2023A-1 Note and 2023A-2 Note. The City’s rights to receive payments under the Borrower Notes will be assigned to Citibank, along with certain other rights under the Borrower Loan Agreement; however, certain reserved rights have been retained by the City, such as the City’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 City and the Borrower. The Regulatory Agreement contains certain covenants and restrictions regarding the Development and its operations intended to assure compliance with the Internal Revenue Code of 1986. The Regulatory Agreement is executed by the Director of Finance and Director of Housing, or other authorized officers, on behalf of the City. The Regulatory Agreement restricts the rental of 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.

The Contingency Draw-Down Agreement

The Contingency Draw-Down Agreement provides for the conversion of the Funding Loan from a draw-down loan to a fully funded loan if needed to preserve the tax-exempt status of interest on 2023A-1 Notes. The Contingency Draw-Down Agreement is executed by the funding lender, the Fiscal Agent and the Borrower. Pursuant to section 2.1 of the Funding Loan Agreement, the City must approve this agreement as to form.

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Financing Team Participants

The financing team participants for the 2023A Notes consists of:

- City's Municipal Advisor: Ross Financial
- Bond Counsel: Orrick, Herrington & Sutcliffe LLP
- Fiscal Agent: U.S. Bank Trust Company, National Association
- 2023A Note Purchaser: Citibank, N.A.

All costs associated with the Municipal Advisor, Bond Counsel and Fiscal Agent are contingent upon the sale of the 2023A Notes and will be paid from 2023A-2 Note proceeds, tax credit equity and/or Borrower funds.

Financing Schedule

The current proposed schedule is as follows:

- Council Approval of 2023A Notes/Note Documents: May 2, 2023
- California Debt Limit Allocation Committee Deadline for 2023A-1 Note Closing: May 29, 2023

Public Disclosure Report Relating to Conduit Revenue Obligations

The Borrower, through its financial consultant, has prepared a public disclosures report pursuant to California Government Code Section 5852.1, attached as **Attachment C – Public Disclosure Report**, providing good faith estimates of certain costs associated with the issuance of the 2023A Notes.

City Subordinate Financing

Increase in City Loan Commitment

The City Council has previously authorized a Construction-Permanent loan in an amount up to \$7,500,000. As authorized by the recommended actions and under her Delegation of Authority, the Director of Housing will negotiate City Loan documents.

Staff is recommending City Council authorization to increase the City's \$7,500,000 loan commitment by \$587,753 to \$8,087,753 in Measure E 30% Low-Income funds to complete the full build-out for the 1860 Alum Rock Apartment's commercial space for the non-profit tenant Amigos De Guadalupe. Up to \$7,850,000 would be available during the construction period with up to \$8,087,753 for permanent financing. City Council approved use of Measure E funds for such commercial space tenant improvements in affordable housing developments, per the

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fiscal year 2021-2022 Measure E spending plan as approved by the City Council on May 17, 2022³. Amigos De Guadalupe is currently seeking to match the funds in outside funding.

Commercial Tenant Improvements Cost Estimate	
Architect	\$ 23,500
Tenant Improvements - Construction	\$ 446,042
GC Indirect Costs (11.5%)	\$ 51,295
GC Contingency (3%)	\$ 13,381
Permit Fees	\$ 10,000
Subtotal before Contingency	\$ 544,216
Market Escalation/Owner Contingency (8%)	\$ 43,537
Total	\$ 587,753

This increase will enable the Borrower to complete the tenant improvements of the community serving ground level facility of the 1860 Alum Rock Development. The Developer will construct the commercial portion of 1860 Alum Rock using low-income housing tax credits.

Services to be provided by Amigos De Guadalupe

The tenant of the community serving ground level facility will be Amigos De Guadalupe. This non-profit organization provides housing for unsheltered families, rental and financial, immigration legal services, a rapid response network to protect community members from deportation, afterschool and summer education programs, scholarships and mentorship for first-generation college students, and community organizing and leadership development to make long-term policy and systems change. Amigos De Guadalupe focuses on the well-being of people, families, and the community, investing in their basic needs, their education, their leadership, and their dreams. The organization will serve the residents of 1860 Alum Rock itself as well as provide crucial services to the greater San José Community.

In Fiscal Year 2021-2022, Amigos De Guadalupe was able to house approximately 1,000 people (516 adults and 462 children) in its emergency/transitional housing/Safe Parking programs and has recently started operating a second family interim housing hotel, which has increased their capacity to serve families by adding an additional 60 rooms for families. As reported by the Borrower, the organization also intends to expand their Safe Parking sites to allow them to serve an additional 40 individuals/families who are living in their vehicles. At their Casitas Tiny Homes site, 54% of families who have left their program exited to permanent housing and 82% of Safe Park guests have exited to a positive destination. Amigos De Guadalupe also distributed over \$6 million in rental assistance to families at risk of becoming homeless since March 2020.

³ Council Memorandum: Measure E Real Property Transfer Tax Revenue Proposed Spending Plan for FY 2022-2023 and Amendment to the Measure E Real Property Transfer Tax Spending Plan for Fiscal Years 2020-2021 and 2021-2022 <https://www.sanjoseca.gov/home/showpublisheddocument/88295/637947041739530000>

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City Issuance and Monitoring Fees

City Policy

The City Policy for Issuance of Multifamily Housing Revenue Bonds would normally require 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 of 2023A Notes issued and (b) 0.25% of the remaining par issued. Based on the current estimated aggregate 2023A Note par of \$31,959,679 provided in the Borrower's pro forma dated February 14, 2023, the City's Policy would require an issuance fee of \$104,899. The final fee will be based on the final aggregate par issued, subject up to a not-to-exceed amount of \$29,468,877 for the Series 2023A-1 Note and \$4,000,000 for the Series 2023A-2 Note.

City Annual Monitoring Fee

In general, the City annual monitoring fee typically is equal to 0.125% of the original principal amount of the 2023A Notes issued. The annual fee may be reduced at Conversion under a reduction for not-for-profit developers to an amount equal to 0.125% of the permanent Series 2023A-1 Note amount at Conversion, subject to a minimum annual fee of \$7,500, which fee shall apply for the 55-year term of the regulatory period.

Based on the Borrower's estimate of a Series 2023A-1 Note par \$9,480,000 at Conversion, the City would charge an annual monitoring fee of \$39,950 during construction and lease-up, and an annual monitoring fee of \$11,850 throughout the 55-year Regulatory Agreement term. If the 2023A-1 Note matures or is 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.

Climate Smart San José Analysis

The recommendation in this memo aligns with one or more of Climate Smart San José energy, water, or mobility goals. The 1860 Alum Rock development is designed to prioritize sustainability and environmentally friendly features such as solar panels, energy-efficient fixtures, Energy Star appliances and a Build-It-Green environmental design certification. The Development is centrally located. Residents from this community will have grocery, pharmacy, restaurants, various retail shopping, light rail and bus connections within walking distance from their home.

April 10, 2023

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Notes and the Loan of the Proceeds Thereof and Approving Related Documents for the 1860 Alum Rock Apartments Project and an Increase to the Commitment for the City Council Approved Construction-Permanent Loan

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EVALUATION AND FOLLOW-UP

This memorandum presents the set of recommendations related to the City Council's approval of the issuance of the 2023A Notes and requires no follow-up to the City Council. Once the 2023A Note financing closes, anticipated in mid-May 2023, and the construction of the Development commences, the Housing Department will provide updates in its Affordable Housing Dashboard⁴.

COST SUMMARY/IMPLICATIONS

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

Funding in the amount of \$7,500,000 has been previously appropriated from Measure E funds that were received in the General Fund. The recommended budget actions included in this memorandum will appropriate an additional \$587,753 from the Measure E – 30% Low-Income Households Reserve in the General Fund. These additional funds will provide for tenant improvements located at the affordable housing development.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the recommended loan commitments.

Fund #	Appn. #	Appn. Name	Total Appn.	Rec. Budget Action	2022-2023 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	8745	Measure E – 30% Low-Income Households Reserve	\$12,215,510	(\$587,753)	941	03/14/2023, Ord. No. 30892
001	224M	Measure E – 30% Low-Income Households	\$12,215,510	\$587,753	N/A	03/14/2023, Ord. No. 30892

⁴ <https://www.sanjoseca.gov/your-government/departments-offices/housing/resource-library/affordable-housing-dashboard>

HONORABLE MAYOR AND CITY COUNCIL

April 10, 2023

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Notes and the Loan of the Proceeds Thereof and Approving Related Documents for the 1860 Alum Rock Apartments Project and an Increase to the Commitment for the City Council Approved Construction-Permanent Loan
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COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the May 2, 2023 City Council meeting.

The method of notifying the community of the City's intent to issue the tax-exempt private activity Bonds is a TEFRA Hearing. The TEFRA Hearing was held on March 27, 2023 before the Director of Finance. The public hearing notice for this hearing was published in the *San José Post - Record* on March 15, 2023. No public comments were made at the TEFRA hearing.

This memorandum and the 2023A Note Documents will be posted on the City's website for the May 2, 2023 meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

The 1860 Alum Rock project is Exempt from CEQA 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.

HONORABLE MAYOR AND CITY COUNCIL

April 10, 2023

Subject: Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Notes and the Loan of the Proceeds Thereof and Approving Related Documents for the 1860 Alum Rock Apartments Project and an Increase to the Commitment for the City Council Approved Construction-Permanent Loan
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PUBLIC SUBSIDY REPORTING

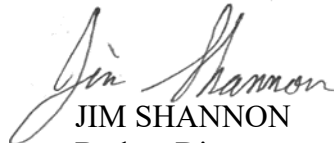
This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

RICK BRUNEAU
Director of Finance

/s/

JACKY MORALES-FERRAND
Director, Housing Department



JIM SHANNON
Budget Director

The principal authors of this memorandum are Shelsy Bass, Senior Development Officer and Michael Jun, Development Officer. For questions, regarding the financing plan please contact Qianyu Sun, Deputy Director of Debt & Treasury Management, Finance Department, at Qianyu.Sun@SanJoseCA.gov or (408) 535-7832; for questions regarding the project, please contact Rachel Vander Veen, Assistant Director, Housing Department, at Rachel.VanderVeen@SanJoseCA.gov or (408) 535-8231.

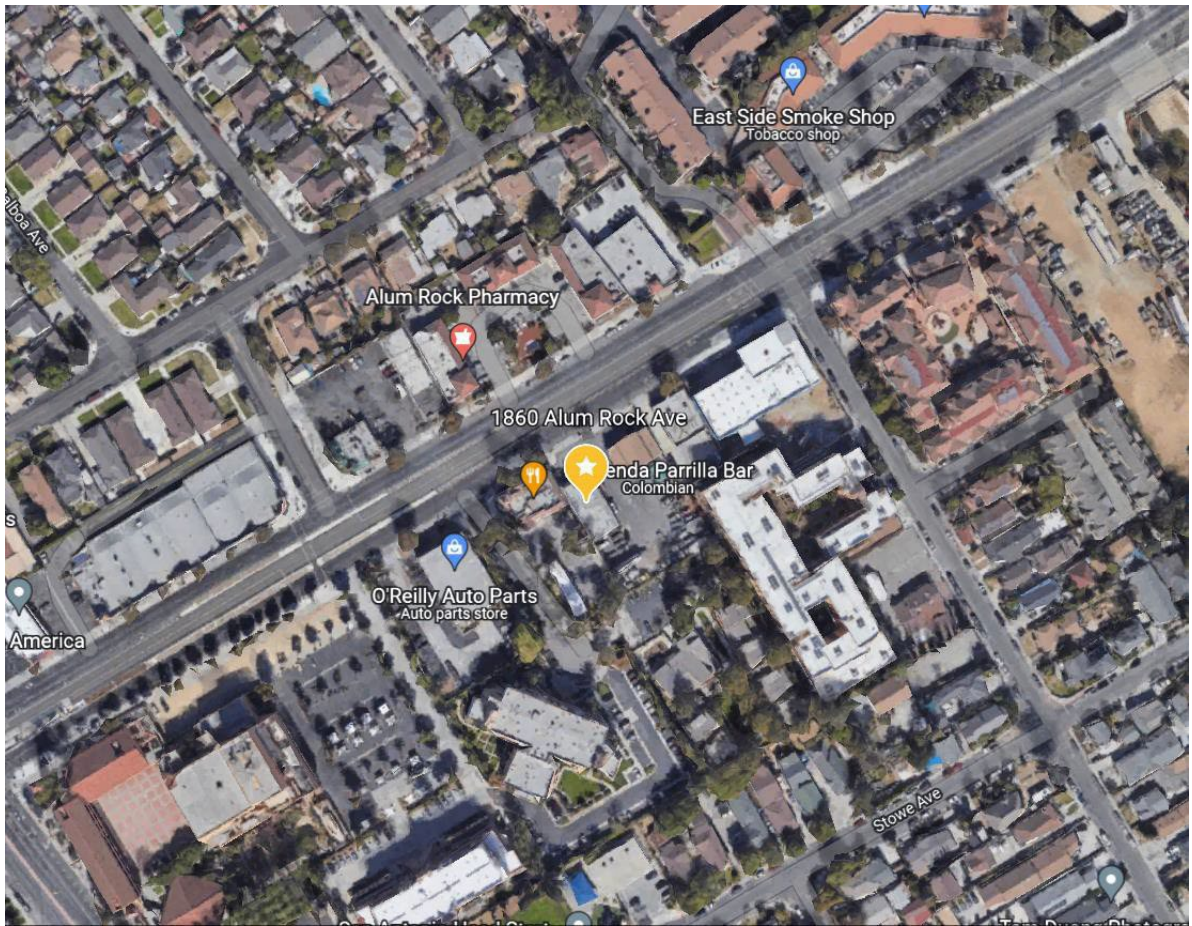
ATTACHMENTS

Attachment A: Site Map

Attachment B: Relocation Plan

Attachment C: Public Disclosure Report

Attachment A – Site Map



Attachment B - Relocation Plan

A U T O



T E M P

ALUM ROCK MULTIFAMILY COMMERCIAL RELOCATION PLAN

PREPARED FOR

**Charities Housing Corporation
1400 Parkmoor Ave., Suite 190
San Jose, CA 95126**

By

**AUTOTEMP
373 4TH STREET, SUITE 2A
OAKLAND, CA 94607
510.238.9386**

October 2022

INTRODUCTION

Charities Housing was formed in 1993 to address the need for affordable housing in Santa Clara County. Charities Housing is organized as a Community Housing Development Organization where a third of the board members are representatives of the low-income community that they serve. Charities Housing is committed to developing and managing affordable housing and strives to create developments that contribute positively to communities.

Within ten years of their founding, Charities Housing (“Developer”) completed eleven developments in six cities throughout Santa Clara County totaling over 475 units. The range of housing types includes service-enriched housing for extremely low-income individuals and those with special need, as well as traditional affordable multi-family housing. Today, Charities Housing oversees the management and operation of over 1000 units in seven cities throughout Santa Clara County and provides multiple resident services through a range of non-profit partners. They currently have several buildings under development totaling over 1200 units.

Charities, through a limited partnership, Alum Rock L.P. (LP or Developer) proposes to acquire and to undertake an extensive redevelopment of 1860 Alum Rock Avenue (two commercial buildings) in San Jose, 95116.

The Developer proposes to build 59 affordable apartments, 10 studios; 19 one-bedroom; 15 two-bedroom; 15 three-bedroom apartments; in addition to a two-bedroom manager’s unit, affordable to families and formerly homeless individuals and families with special needs earning less than 50% of the Area Median Income (AMI) (the “Project”). Amenities will include laundry facilities, community room and kitchen, office and service space.

As a result of the proposed future development, three commercial entities will have to be permanently displaced in order for the development to move forward.

The project will comply with the City of San Jose General Plan guidelines, housing element and zoning requirements and conforms to the adjacent land uses. There is no foreseen negative impact on the surrounding neighborhood.

Alum Rock Multifamily Relocation Plan

The Project site which is the subject of this Relocation Plan is located in the City of San Jose and County of Santa Clara. The subject property is located immediately east of Interstate 280 and west of State highway 101. Please see **Attachment 1** for the project site location. The area is comprised of commercial, institutional and multi-family residential uses.

Autotemp an experienced acquisition and relocation firm, has been selected to prepare this commercial Relocation Plan (the 'Plan'), and will provide all subsequently required relocation assistance. In compliance with statutory requirements, the Plan has been prepared to evaluate the present circumstances and replacement site requirements of the current Project occupants.

This Plan provides for the results of a needs assessment survey, their incorporation into the planning process, and details of the Partner's proposed relocation plan. This Plan sets forth policies and procedures necessary to conform with the statutes and regulations established by the Uniform Relocation Act (46 U.S.C. § 4600 et seq.), its implementing regulations (49 C.F.R. Part 24), the California Relocation Assistance Law, California Government Code Section 7260 et seq (the "CRAL") and the California Relocation Assistance and Real Property Acquisition Guidelines, Title 25, California Code of Regulations, Chapter 6, Section 6000 et seq. (the "Guidelines") for commercial displacements along with HUD 1378 and all other funding regulations and requirements.

Potential funding sources include Low Income Housing Tax Credits (LIHTC's) and Tax-Exempt Bonds; City of San Jose and County of Santa Clara funding. It is also anticipated that a Project Based Section 8 (HAP) contract will be available for operational subsidies on 26 units.

It should be noted that, with certain narrow exceptions, Federal funds cannot be used for any "displaced person" who is an alien not lawfully present in the United States.

No mandatory displacement activities will take place prior to the required reviews and approval of this Plan.

Alum Rock Multifamily Relocation Plan

A. METHODOLOGY AND ASSESSMENT OF NEEDS

To obtain information necessary for the preparation of this Plan, information was provided by the current property owner along with visual inspections and interviews of the eligible the commercial entities that would be impacted by the implementation of the prospective project.

Inquiries and observations made of the commercial occupants included existing conditions, such as type of business or service provided; type of occupancy; current monthly lease/rental amounts; description and size of needs/operations; special requirements, if any; and, area/facility preferences for replacement locations.

All information of a statistical nature supplied was anecdotal and not validated by documentary evidence that otherwise may be required to comply with mandatory relocation and eligibility qualifying criteria.

The commercial entities to be prospectively displaced by implementation of the proposed project include a cabinet maker, auto and motorcycle repair facility and towing company. The table below represents some of the needs of the potentially displaced commercial entities.

Commercial			
Type of Business	Approximate Current Square footage	Ownership Type	Special Needs/ Equipment
Towing Company	3500 Shop 3000 Yard	for-profit	Location/parking/zoning
Cabinet maker	2700 Shop 400 Yard	for-profit	Power/zoning
Motorcycle/Auto Repair	10,000 Yard	for-profit	Power/zoning

B. REPLACEMENT RESOURCES

While there is no specific requirement under California or Federal Relocation Law or Guidelines mandating that alternate relocation sites be made available to

Alum Rock Multifamily Relocation Plan

commercial occupants at the time of displacement, the Developer is committed to making every reasonable effort to satisfactorily relocate the business.

This Relocation Plan outlines the requirements for moving the businesses being displaced, and demonstrates the level of advisory and financial assistance that will be provided.

C. CONCURRENT DISPLACEMENT

Based on the anticipated needs of the Project, there is no known concurrent displacement at this time which may impact, negatively, upon the ability to relocate the occupants of the site.

D. TEMPORARY RELOCATION

There is no *anticipated* requirement for temporary relocation.

E. PROGRAM ASSURANCES AND STANDARDS

Adequate funds shall be made available to relocate the commercial occupants on the site.

Relocation assistance services will be provided to ensure that displacement does not result in different or separate treatment of occupants based on race, color, religion, national origin, sex, marital status, familial status, disability or any other basis protected by the federal Fair Housing Amendments Act, the Americans with Disabilities Act, Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, the California Fair Employment & Housing Act, and the Unruh Act, as well as any arbitrary or unlawful discrimination.

The occupants of the site will not be permanently displaced without Ninety (90) days advance written notice and have received a General Information Notice on or about September 16, 2019, with proof of delivery, which is included in **Attachment 2**. The relocation program to be implemented by the Developer conforms with the standards and provisions set forth in Government Code section 7260 et seq., the Guidelines, and all other applicable regulations and

Alum Rock Multifamily Relocation Plan

requirements.

F. RELOCATION ASSISTANCE PROGRAM

Autotemp staff will be available to assist tenants being displaced with questions about relocation and, actual assistance in relocating. Relocation staff may be contacted, at **888.202.9195**, between the hours of 8:30 AM. to 6:00 PM, Monday through Friday, and also available on-site by appointment.

The Relocation Office is located at **373 4th Street, Suite 2A, Oakland, CA**. A comprehensive relocation assistance program, with technical and advisory assistance, will be provided to the tenants being displaced.

Specific activities will include:

1. Distribution of informational statements. **Attachment 3** contains a *sample* of the informational notice that will be given to the displaced business occupant;
2. Timely referrals to commercial property units; and,
3. Assistance with completion and filing of relocation claims and appeals forms, if necessary.
4. To fully inform eligible project occupants of the nature of, and procedures for, obtaining relocation assistance and benefits;
5. To determine the needs of each displacee eligible for assistance;
6. To provide assistance that does not result in different or separate treatment due to race, color, religion, national origin, sex, sexual orientation, marital status or other arbitrary circumstances;
7. To assist each eligible person to complete applications for benefits.

Alum Rock Multifamily Relocation Plan

8. To make relocation benefit payments in accordance with the Guidelines, where applicable;
9. To inform all persons subject to displacement of the Developer's policies with regard to eviction and property management; and,
10. To establish and maintain a formal grievance procedure for use by displaced persons seeking administrative review of the Developer's decisions with respect to relocation assistance.

G. CITIZEN PARTICIPATION

The Developer will ensure the following:

1. Full and timely access to documents relevant to the relocation program;
2. Providing technical assistance necessary to interpret elements of the relocation program and other pertinent materials;
3. The Plan will be reviewed to ensure that it is feasible and complies with locally-adopted rules and regulations governing relocation.

H. RELOCATION BENEFIT CATEGORIES

Benefits will be provided in accordance with the URA, the CRAL, the Guidelines, and all other applicable regulations and requirements. Benefits will be paid upon submission of required claim forms and documentation in accordance with approved procedures as outlined in **Attachment 4**. The Developer will provide appropriate benefits for the site tenants/displacees as required by the above laws and requirements.

Commercial occupants are considered eligible for relocation assistance and benefits if they lawfully occupied the subject property on the date of the "Initiation of Negotiations" for acquisition of the property. The date of 'Initiation of Negotiations' for this Project is the latter of the date of acquisition of the property

Alum Rock Multifamily Relocation Plan

or initial funding approval, which of yet has not occurred.

It should be noted that the following benefits have been adjusted to reflect the preliminary changes pursuant to federal law under MAP-21. However, the final rule has not been published to date, which may require an adjustment to category expenses, but not to dollar limitations.

Commercial Moving Expense Payments

Relocation benefits will be provided to the commercial occupants pursuant to State, and Federal law. Benefits will be paid upon submission of required claim forms and documentation in accordance with the procedures outlined in **Attachment 3**.

Pursuant to Relocation Law, eligible businesses may receive a relocation payment to cover the reasonable cost of moving their personal property from the Project site, to the selected replacement site.

There are two (2) options:

- A. Payment for Actual Reasonable and Necessary Moving and Related Expenses; or,**
- B. A Fixed Payment Not to Exceed \$40,000.**

Payment for Actual Reasonable and Necessary Moving and Related Expenses:

This payment may include the following:

- a)** Transportation of personal property. Transportation costs to the replacement location (transportation costs are limited to a distance of fifty [50] miles, unless otherwise agreed to by the Agency);
- b)** Packing, crating, uncrating and unpacking personal property;

Alum Rock Multifamily Relocation Plan

- c)** Disconnecting, dismantling, removing, reassembling and installing relocated and substitute machinery, equipment and other personal property.

This includes connection to utilities available nearby and modifications necessary to adapt such property to the replacement structure(s)/site or, to the utilities or, to adapt the utilities to the personal property;

- d)** Storage of personal property not to exceed twelve (12) months, unless the Agency determines that a longer period is necessary;
- e)** Insurance at the replacement value of the personal property in connection with the move, and necessary storage;
- f)** The replacement value of property lost, stolen or damaged in the process of moving (though, not through the fault or negligence of the displaced person, his or her agents or employees), ***if*** insurance covering such loss, theft or damage is not reasonably available;
- g)** Any license, permit or certification required for the business at the replacement location. However, the payment may be based on the remaining useful life of the existing license, permit or certification;
- h)** Professional services as the Agency determines to be actual, reasonable and necessary for: i) planning the move of the personal property; ii) moving the personal property; and, iii) installing the relocated personal property at the replacement location;
- i)** Re-lettering signs, and replacing stationary on-hand at the time of displacement, that is made obsolete as a result of the

Alum Rock Multifamily Relocation Plan

move;

j) Actual direct loss of tangible personal property incurred as a result of moving or, discontinuing the business. The payment will consist of the lesser of:

i) The fair market value of the item, ***as-is***, for continued use at the displacement site, *less* the proceeds from its sale. (To be eligible for payment, the business owner must make a “good-faith” effort to sell the personal property, unless the Agency determines that such effort is not necessary.

When payment for property loss is claimed for goods held for sale, the fair market value will be based on the cost of the goods to the business, *not* the *potential* selling price); or,

ii) The estimated cost of moving the item, ***as-is***, but with no allowance for storage, or for reconnecting a piece of equipment if the equipment is in storage or not being used at the acquired site. (If one elects to discontinue the business, the estimated cost will be based on a moving distance of fifty [50] miles).

k) The reasonable cost incurred in attempting to sell an item that is not to be relocated;

l) Purchase of substitute personal property. If an item of personal property which is used as part of a business is not moved but is promptly replaced with a substitute item that performs a comparable function at the replacement site, one will be entitled to payment for the lesser of:

i) The cost of the substitute item, including installation costs at the replacement site, minus any proceeds

Alum Rock Multifamily Relocation Plan

from the sale or trade-in of the replaced item; or,

- ii) The estimated cost of moving and reinstalling the replaced item, but with no allowance for storage.

At the Agency's discretion, the estimated cost for a low-cost or uncomplicated move may be based on a single bid, or estimate.

- m) Searching for a replacement location. One's business is entitled to reimbursement for actual expenses, *not-to-exceed* two thousand five hundred dollars (\$2,500.), as the Agency determines to be reasonable, which are incurred in searching for a replacement location, including:

- i) Transportation;
- ii) Meals and lodging away from the primary place of residence;
- iii) Time spent searching, based on reasonable salary or earnings;
- iv) Fees paid to a real estate agent or broker to locate a replacement site, exclusive of any fees or commissions related to the purchase of such site;
- v) Time spent in obtaining permits and attending zoning or other mandatory hearings; and,
- vi) Time spent negotiating the purchase of a replacement site based on reasonable salary or earnings.

- n) Other related moving expenses as the Agency determines to be reasonable and necessary, including:

- i) Connection to available nearby utilities from the public right-of-way to improvements at the replacement site;
- ii) Professional services performed prior to the purchase

Alum Rock Multifamily Relocation Plan

or lease of a replacement site to determine its suitability for one's business operation including, but not limited to soil testing, feasibility and marketing studies (excluding any fees or commissions directly related to the purchase or lease of such site). At the Agency's discretion, a reasonable *pre-approved* hourly rate may be established; and,

- iii) Impact fees or one-time assessments for anticipated heavy utility usage, as determined by the Agency.
- o) Actual and reasonable expenses necessary to re-establish a displaced small business at its new location, not-to-exceed twenty-five thousand dollars (\$25,000.). Examples of expenses that may be considered for reimbursement include advertising, redecoration and certain increase costs of operation at the new location.

Fixed payment in Lieu of a Payment for Actual Reasonable Moving and Related Expenses:

The amount of this payment shall be based on the average, annual net earnings of the business. The payment to an eligible business may not be less than \$1,000.00, or more than \$40,000.

To qualify, for this payment a displaced business:

- a) Cannot be a part of a commercial enterprise having at least three (3) other establishments which are not being displaced by the Agency as part of this project, and which is under the same ownership and engaged in the same, or similar business activities; and,
- b) Must not be able to relocate without substantial

Alum Rock Multifamily Relocation Plan

loss of patronage; and,

- c) Must have contributed at least 33.33% of the owner's total gross income during each of the two (2) taxation years prior to displacement, or meet specific earnings criteria.

I. PAYMENT OF RELOCATION BENEFITS

Relocation benefit payments will be made expeditiously. Claims and supporting documentation for relocation benefits must be filed with the Developer within eighteen (18) months from the date the claimant moves from the displacement property. Procedures for preparing and filing of claims and processing and delivering of payments are included in this Plan as **Attachment 4**.

J. EVICTION POLICY

At any time after the acquisition of the property, the occupants became tenants of the Developer. The Developer recognizes that eviction is permissible only as a last resort and that relocation records must be documented to reflect the specific circumstances surrounding any eviction. With the exception of persons considered to be in unlawful occupancy, a displaced person's eviction does not affect eligibility for relocation assistance and benefits. Relocation records must be documented to reflect the specific circumstances surrounding the eviction.

Eviction may be undertaken only for one or more of the following reasons:

1. Failure to pay rent, except in those cases where the failure to pay is due to the Lessor's failure to keep the premises in habitable condition; is the result of harassment or retaliatory action; or, is the result of discontinuation or substantial interruption of services;
2. Performance of a dangerous, and/or illegal act in the unit by tenant, tenant's guest(s) and/or invitee(s) or any combination thereof;

Alum Rock Multifamily Relocation Plan

3. A material breach of the rental agreement and failure to correct breach within 30 days of notice;
4. Maintenance of a nuisance, and failure to abate within a reasonable time following notice;
5. A requirement under State, or local law or emergency circumstances that cannot be prevented by reasonable efforts on the part of the public entity.

K. APPEALS POLICY

The appeals policy will follow the standards described in Section 6150 et seq. of the Guidelines. Briefly stated, displaced tenants will have the right to ask for review when there is a perceived grievance regarding any of a displacee's rights to relocation and relocation assistance, such as a determination as to eligibility and the amount of a payment. Any displaced person has the right to contact HCD for the purpose of an appeal or grievance and those further details are available from the Autotemp representative.

L. PROJECTED DATES OF DISPLACEMENT

The commercial occupants will receive a 90-day notice to vacate before they are required to move. This notice will be issued on or about February 01, 2023, with the property to be vacated by May 01, 2023.

M. ESTIMATED RELOCATION COSTS

The Developer pledges to appropriate the necessary funds, on a timely basis, to ensure the successful completion of the project. The Developer anticipates using LIHTC's, tax-exempt bonds, City and County funding to finance the relocation activities for the Project. Any and all required financial assistance will be provided. The relocation budget is estimated as follows:

Alum Rock Multifamily Relocation Plan

Relocation Benefits	\$380,000.00
Relocation Services	\$ 29,500.00
Contingency	\$ 30,000.00
TOTAL	\$439,500.00

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TABLE OF ATTACHMENTS

- | | |
|----------------------|---|
| Attachment 1: | Project Site Maps |
| Attachment 2: | General Information Notice |
| Attachment 3: | Sample Informational Statement – Commercial Occupants |
| Attachment 4: | Relocation Payment Policy and Procedures for Relocation Payments and Assistance |

ATTACHMENT 1: PROJECT SITE MAPS

Figure 1. Regional Location

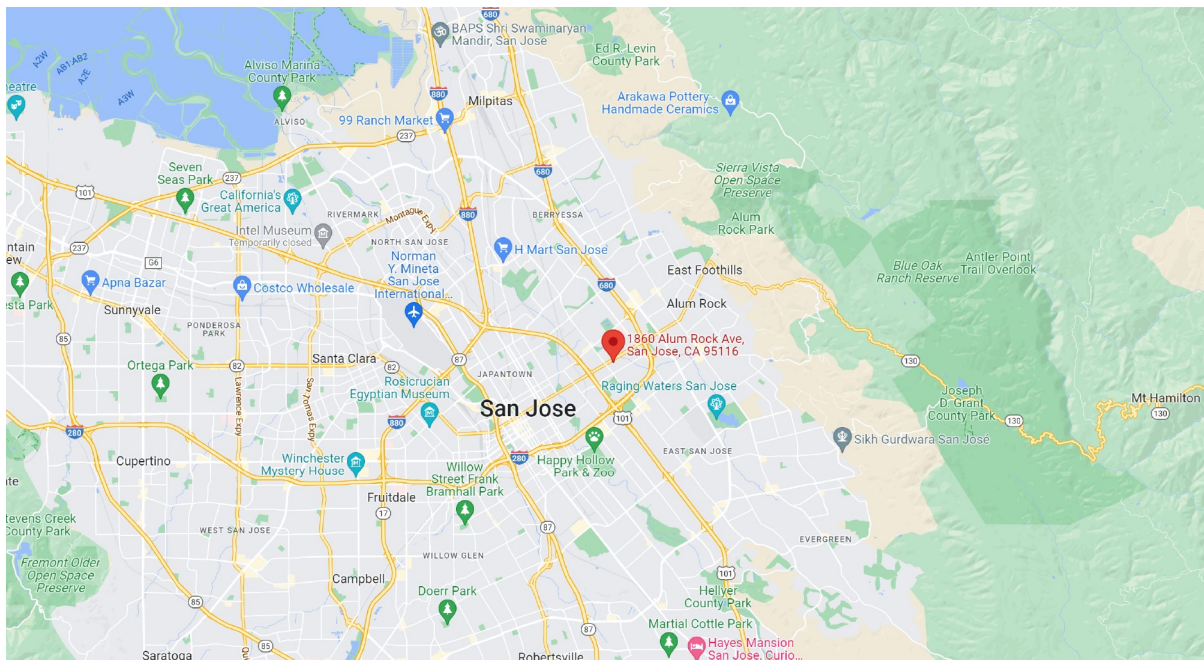


Figure 2. General Site-specific Location

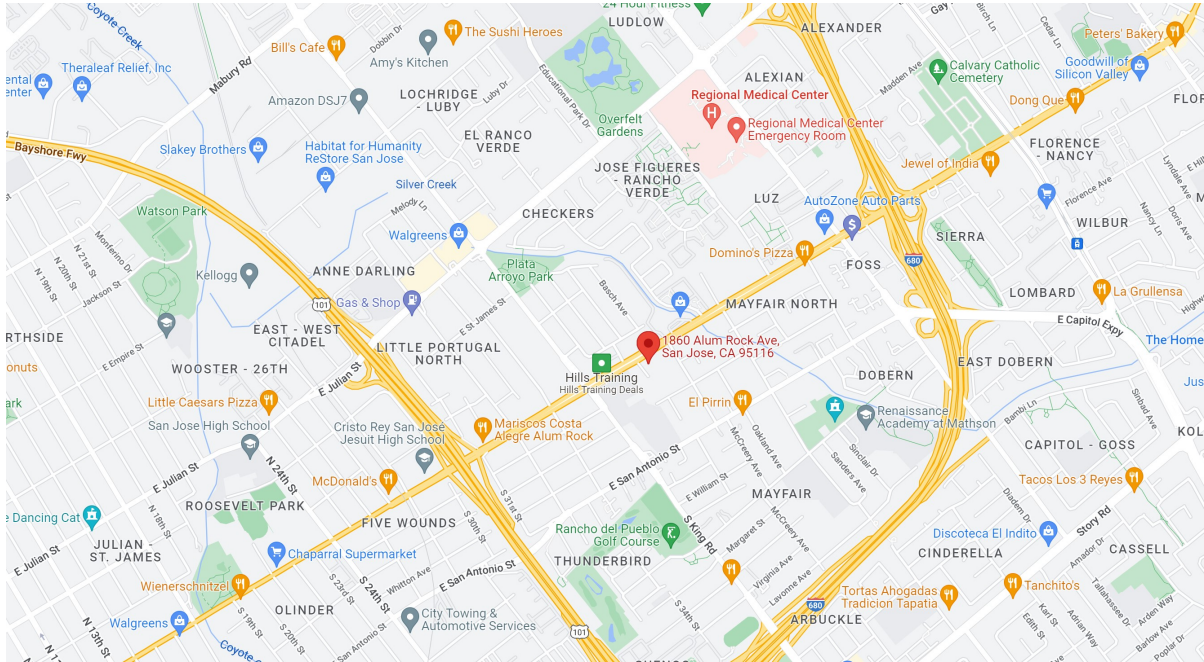
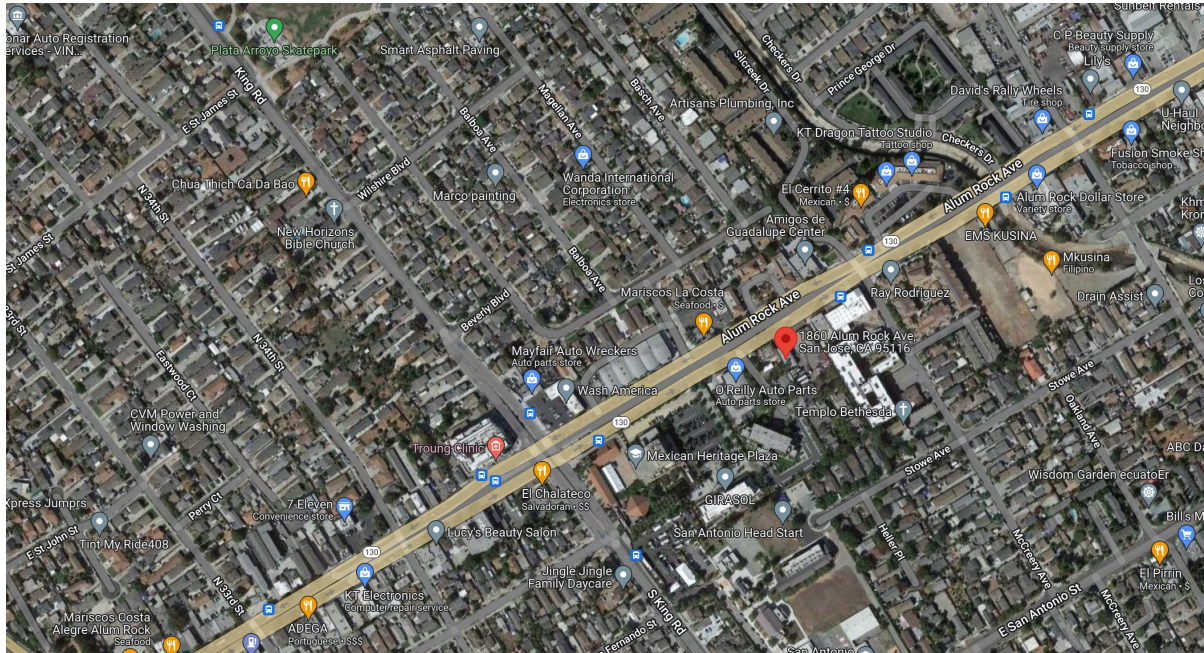


Figure 3. Overhead view



PREPARED BY AUTOTEMP

**ATTACHMENT 2:
GENERAL INFORMATION NOTICE**

General Information Notice

VIA FIRST CLASS & CERTIFIED MAIL
7018 3090 0000 4405 1978

September 16, 2019

MKO Auto Service, Inc.
Attn: Ony Valez II
1860 Alum Rock Ave, Suite A
San Jose, CA 95116

Dear Ony Valez II:

Charities Housing (Developer) is interested in acquiring the property you occupy at **1860 Alum Rock Avenue, San Jose, CA 91156**, for construction of an affordable housing project. This notice is to inform you of your rights under applicable State and/or Federal law. If you are displaced for the project, you may be eligible for relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended and California Relocation Assistance Law (Sec 7260 et. seq. of the CA Government Code.

However, you do not have to move now. This is not a notice to vacate the premises or a notice of relocation eligibility.

You should continue to pay your monthly rent to your landlord because failure to pay rent and meet your obligations as a tenant may be cause for eviction and loss of relocation assistance. You are urged not to move or sign any agreement to purchase or lease another site before receiving formal notice of your eligibility for relocation assistance. If you move or are evicted before receiving such notice, you may not receive any assistance.

The Developer has retained the professional firm of **Autotemp** to assist in potential relocation planning. If you are eligible for relocation assistance, you will be given advisory services, including referrals to replacement business locations, and at least 90 days advance written notice of the date you will be required to move. You would also receive a payment for moving expenses and may be eligible for financial assistance to help you rent another business location.

Again, this is not a notice to vacate and does not establish eligibility for relocation payments or other relocation assistance. If you have any questions, please contact **Art Perez at 888.202.9195 extension 11**.

Sincerely,

Charities Housing

Received by

X _____
Recipient's Signature

Date

Delivered on/by: _____/_____

Posted on/by: _____/_____

Mailed/receipt received on: **9/16/2019** / _____

PREPARED BY AUTOTEMP

ATTACHMENT 3: SAMPLE INFORMATIONAL STATEMENT FOR COMMERCIAL OCCUPANTS

Introduction

The property on which you now conduct your business is in an area to be improved by Charities Housing ("Charities"). Charities' plans require the acquisition of the parcel and the relocation of existing commercial uses. You will be notified in a timely manner as to the date by which you must move.

Please read this information as it will be helpful to you in determining your eligibility and the amount of your relocation benefits under the federal and/or state law. We suggest you save this informational statement for reference.

This is not a notice to move. It is important that you do not move before you learn what you must do to receive relocation payments and other assistance to which you may be entitled. Charities has retained the services of Autotemp, a qualified professional relocation firm, to assist you. The firm is available to explain the program and benefits. Their address and telephone number is:

**Autotemp
373 4th Street Suite 2A
Oakland, CA 94607
Telephone: 888.202.9195**

Spanish speaking representatives are available. **Si necesita esta información en español, por favor llame a su representante.**

Please continue to pay your rent to your current landlord, otherwise you may be evicted and jeopardize the relocation benefits to which you may be entitled to receive. Once Charities acquires the property, you will also be required to pay rent to Charities.

Summary of Relocation Assistance

As an eligible displaced person, you will be offered appropriate financial and advisory assistance to help you relocate, including:

- A. Payment for your moving expenses. You will receive either:
 - A Payment for Actual Reasonable Moving and Related Expenses, or
 - A Fixed Payment In Lieu of a Payment for Actual Moving and Related Expenses
- B. Referrals to suitable replacement locations.
- C. Other help to reestablish your business and minimize the impact of the move including help in preparing claim forms to request relocation payments.

PREPARED BY AUTOTEMP

If you disagree with Charities' decision as to your right to a relocation payment, or the amount of the payment, you may appeal that decision.

SOME GENERAL QUESTIONS

How will I know I am eligible for relocation assistance?

Ordinarily, eligibility begins on the date the owner of the property receives Charities' initial written offer to purchase it. Therefore, you should not move before that date. If you do, you may not be eligible for relocation assistance.

How Will Charities Know How Much Help I Need?

You will be contacted at an early date and personally interviewed by a representative of Charities to determine your needs and preferences for a replacement location and other services. The interviewer will ask questions about such matters as your space requirements. It is to your advantage to provide the information so that Charities, through its relocation consultant, can assist you in moving with a minimum of hardship. The information you give will be kept in confidence.

How Soon Will I Have to Move?

Every reasonable effort will be made to provide you with sufficient time to find and reestablish your business in a suitable replacement location. If possible, a mutually agreeable date for the move will be worked out. Unless there is an urgent need for the property (e.g., your occupancy would present a health or safety emergency), you will not be required to move without at least 90 days advance written notice. It is important, however, that you keep in close contact with Charities so that you are aware of the time schedule for carrying out the project and the approximate date by which you will have to move.

I Own The Property; Will I Be Paid For It Before I Have To Move?

If you reach a voluntary agreement to sell your property to Charities, you will not be required to move before you receive the agreed purchase price. If the property is acquired through an eminent domain proceeding, you cannot be required to move before the estimated fair market value of the property has been deposited with the court. (You should be able to withdraw this amount immediately, less any amounts necessary to pay off any mortgage or other liens on the property and to resolve any special ownership problems. Withdrawal of your share of the money will not affect your right to seek additional compensation for your property).

Will I Have To Pay Rent To Charities Before I Move?

You may be required to pay a fair rent to Charities for the period between the acquisition of your property and the date that you move. Your rent and the terms of your tenancy will be generally the same as in the prior arrangement.

How Will I Find A Replacement Location?

Charities will provide you with current and continuing information on available replacement locations that meet your needs. Charities may also provide you with the names of real estate agents and brokers who can assist you in finding the type of replacement location you require. While Charities will assist you in obtaining a suitable replacement location, you should take an active role in finding and relocating to a location of your choice. No one knows your needs better than you. You will want a facility that provides sufficient space for your planned activities. You will also want to ensure that there are no zoning or other requirements which will unduly restrict your planned operations. Ask Charities to explain which kind of moving costs are eligible for repayment and which are not eligible. That will enable you to carry out your move in the most advantageous manner.

What Other Assistance Will be Available To Help Me?

In addition to help in finding a suitable replacement location, other assistance, as necessary, will be provided by Charities. This includes information on Federal, State, and local programs that may be of help in reestablishing a business. For example, the Small Business Administration (SBA) provides managerial and technical assistance to some businesses. There may also be a government grant or loan program which can help you reestablish your business. Charities will assist you in applying for help available from government agencies. The range of services depends on the needs of the business being displaced. You should ask the Charities representative to tell you about the specific services that will be available to you.

I Have A Replacement Location And Want To Move. What Should I Do?

Before you make any arrangements to move, notify Charities, in writing, of your intention to move. This should be done at least 30 days before the date you begin your move. Charities will discuss the move with you and advise you of the relocation payment(s) for which you may be eligible, the requirements to be met, and how to obtain a payment.

I Plan To Discontinue My Business Rather Than Move. What Should I Do?

If you have decided to discontinue your business rather than reestablish, you may still be eligible to receive a payment. Contact Charities and discuss your decision to discontinue your business. You will be informed of the payment, if any, for which you may be eligible, the requirements to be met, and how to obtain your payment.

What Kinds of Payments For Moving Expenses Will I Receive?

Every business is entitled to a relocation payment to cover the reasonable cost of moving. You may choose either:

- A. **A Payment For Actual Reasonable Moving and Related Expenses**, or
- B. **A Fixed Payment In Lieu of Moving and Related Expenses** (if you meet the eligibility requirements).

What is the Payment for Actual Reasonable Moving and Related Expenses?

If you choose a Payment for Actual Reasonable Moving and Related Expenses, you may claim the cost of:

1. Transportation of personal property. Transportation costs for a distance beyond 50 miles are not eligible, unless the Agency determines that relocation beyond 50 miles is justified.
2. Packing, crating, unpacking, and uncrating of the personal property.
3. Disconnecting, dismantling, removing, reassembling, and reinstalling relocated machinery, equipment, and other personal property, and certain substitute personal property. This includes connection to utilities available within the building. It also includes modifications to the personal property, including those mandated by Federal, State or local law, code or ordinance, necessary to adapt it to the replacement structure, the replacement site, or the utilities at the replacement site, and modifications necessary to adapt the utilities at the replacement site to the personal property.
4. Storage of the personal property not to exceed 12 months, unless the Agency determines that a longer period is necessary.
5. Insurance for the replacement value of the personal property in connection with the move and necessary storage.
6. The replacement value of property lost, stolen or damaged in the process of moving (not through fault or negligence of the displaced person, his or her agent or employee), where insurance covering such loss, theft or damage is not reasonably available.
7. Any license, permit or certification required of your business at the replacement location. However, the payment may be based on the remaining useful life of the existing license, permit, or certification.
8. Professional services as the Agency determines to be actual, reasonable and necessary for (1) planning the move of the personal property, (ii) moving the personal property, and (iii) installing the relocated personal property at the replacement location.
9. Re-lettering signs and replacing stationary on hand at the time of displacement that is made obsolete as a result of the move.
10. Actual direct loss of tangible personal property incurred as a result of moving or discontinuing your business. The payment will consist of the lesser of:
 - (i) The fair market value of the item, **as is** for continued use at the displacement site, less the proceeds from its sale. (To be eligible for payment, you must make a good

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- faith effort to sell the personal property, unless the Agency determines that such effort is not necessary. When payment for property loss is claimed for goods held for sale, the fair market value will be based on the cost of the goods to the business, not the potential selling price.); **or**
- (ii) The estimated cost of moving the item **as is**, but with no allowance for storage; or for reconnecting a piece of equipment if the equipment is in storage or not being used at the acquired site. (If you elect to discontinue your business, the estimated cost will be based on a moving distance of 50 miles.)
11. The reasonable cost incurred in attempting to sell an item that is not to be relocated.
12. Purchase of substitute personal property. If an item of personal property which is used as part of your business is not moved but is promptly replaced with a substitute item that performs a comparable function at the replacement site, you will be entitled to payment for the lesser of:
- (i) The cost of the substitute item, including installation costs at the replacement site, minus any proceeds from the sale or trade-in of the replaced item; or
- (ii) The estimated cost of moving and reinstalling the replaced item but with no allowance for storage. At the Agency's discretion, the estimated cost for a low cost or uncomplicated move may be based on a single bid or estimate.
13. Searching for a replacement location. Your business is entitled to reimbursement for actual expenses, not to exceed \$ 2,500 as the Agency determines to be reasonable, which are incurred in searching for a replacement location including:
- i) Transportation
- ii) Meals and lodging away from home.
- iii) Time spent searching, based on reasonable salary or earnings.
- iv) Fees paid to a real estate agent or broker to locate a replacement site, exclusive of any fees or commissions related to the purchase of such site.
- v) Time spent in obtaining permits and attending zoning hearings; and
- vi) Time spent negotiating the purchase of a replacement site based on a reasonable salary or earnings.
14. Other related moving expenses as the Agency determines to be reasonable and necessary, including:
- i) Connection to available nearby utilities from the right-of-way to improvements at the replacement site;
- ii) Professional services performed prior to the purchase or lease of a replacement site to determine its suitability for your business operation, including but not limited to soil testing, feasibility and marketing studies (excluding any fees or commissions directly related to the purchase or lease of such site). At the Agency's discretion, a reasonable pre-approved hourly rate may be established

- iii) Impact fees or one-time assessments for anticipated heavy utility usage, as determined by the Agency.

Charities' relocation representative will explain all eligible moving costs, as well as, those which are not eligible. You must be able to account for all costs that you incur; so keep all your receipts. The Agency will inform you of the documentation needed to support your claim.

You may minimize the amount of documentation needed to support your claim, if you elect to "self-move" your property. Payment for self-move is based on the amount of an acceptable low bid or estimate obtained by the Agency. If you self-move, you may move your personal property using your own employees and equipment or a commercial mover. If you and the Agency cannot agree on an acceptable amount to cover the cost of the "self-move," you will have to submit full documentation in support of your claim.

You may elect to pay your moving costs yourself and be reimbursed by the Agency or, if you prefer, you may have the Agency pay the mover directly. In either case, let the Agency's relocation representative know before you move. The Agency representative can help you select a reliable and reputable mover.

When a payment for "actual direct loss of personal property" or "substitute personal property" is made for an item, the estimated cost of moving the item may be based on the lowest acceptable bid or estimate obtained by the Agency. If not sold or traded-in, the item must remain at the old location and ownership of the item must be transferred to the Agency before you may receive the payment.

What are Reestablishment Expenses?

In addition to actual, reasonable moving and related expenses, a small business, non-profit organization or farm may be eligible to receive a payment of up to \$25,000 for expenses actually incurred in relocating and reestablishing its operation at a replacement site.

Eligible expenses must be reasonable and necessary, as determined by the Agency. They may include but are not limited to the following:

- A. Repairs or improvements to the replacement real property as required by federal, state or local law, code or ordinance.
- B. Modifications to the replacement property to accommodate the business operation or make replacement structures suitable for conducting the business.
- C. Construction and Installation costs for exterior signage to advertise the business.
- D. Redecoration or replacement of soiled or worn surfaces at the replacement site, such as paint, paneling or carpeting.
- E. Advertising of replacement location.

- F. Estimated increased costs of operation during the first 2 years at the replacement site, for such items as:
1. Lease or rental charges
 2. Personal or real property taxes
 3. Insurance premiums, and
 4. Utility charges (excluding Impact fees)
- G. Other items that the Agency considers essential to the reestablishment of the business.

What Expenses Are Not eligible for Reestablishment Payment?

The following is a non-exclusive listing of reestablishment expenditures not considered to be reasonable, necessary or otherwise eligible:

- A. Purchase of capital assets, such as, office furniture, filing cabinets, machinery or trade fixtures.
- B. Purchase of manufacturing materials, production supplies, product inventory, or other items used in the normal course of the business operation.
- C. Interior or exterior refurbishment at the replacement site, except as otherwise provided for under the business reestablishment payment.
- D. Interest costs associated with any relocation expense or the purchase of replacement property.
- E. Payment to a part-time business in the home which does not contribute materially to the household income.

What is Fixed Payment In Lieu Of A Payment For Actual Reasonable Moving And Related Expenses?

A Fixed Payment In Lieu Of A Payment For Actual Reasonable Moving And Related Expenses to a business or farm operation is based on the average annual net earnings of the business or farm operation. The payment to an eligible business or farm operation may not be less than \$1,000.00, or more than \$40,000.00. The nonprofit organization may be eligible for a payment from \$1,000.00 to \$40,000.00 subject to the following:

A displaced nonprofit organization may choose a fixed payment as stated above if Charities determines that it cannot be relocated without a substantial loss of existing patronage (membership or clientele.) A nonprofit organization is assumed to meet this test, unless Charities demonstrates otherwise. Any payment in excess of \$1,000.00 must be supported with financial statements for the two 12 month periods prior to displacement. The amount to be used for the payment is the average of the last two (2) years annual net earnings. Documentation required may be income tax returns, certified financial statements and accounting records or other similar evidence acceptable to Charities. To qualify for an In-Lieu payment:

A. A displaced **business**:

1. Must own or rent personal property which must be moved in connection with the displacement and for which an expense would be incurred in such move, and the business vacates or relocates from its displacement site.
2. Must be unable to relocate without a substantial loss of existing patronage.
3. Must not be part of a commercial enterprise having more than one other entity which is not being acquired by Charities, and which is under the same ownership and engaged in the same or similar business activities.
4. Must not be operated at a displacement dwelling/site solely for the purpose of renting such dwelling/site to others.
5. Must have contributed materially to the income of the displaced person during the two (2) taxable years prior to displacement.

B. A displaced **nonprofit organization** (1) must be unable to relocate without a substantial loss of its existing patronage; and, (2) must not be part of an enterprise having another establishment which is not being acquired by Charities.

C. A displaced **farm operation** must meet certain minimum income requirements.

The average annual net earnings of a business or farm operation are one-half of its net earnings before Federal, State, or local income taxes during the two (2) taxable years immediately prior to the taxable year in which it was displaced. If not in business for a full two years prior to displacement, the net earnings shall be based on the actual period of operation at the acquired site projected to an annual rate. Average net earnings may be based on a different period of time when Charities determines it to be more equitable. Net earnings include any compensation paid to the owners of the business, a spouse or dependents. The displaced person shall furnish Charities proof of net earnings through income tax returns, certified financial statements, or other reasonable evidence which Charities determines is satisfactory.

Charities will inform you as to your eligibility for this payment and the documentation you must submit to support your claim. Remember, when you elect to take this payment you are not entitled to reimbursement for any other moving expenses.

How do I File A Claim For A Relocation Payment?

You must file a claim for a relocation payment. Charities will provide you with the required claim forms, assist you in completing them, and explain the type of documentation that you must submit in order to receive your relocation payments. If you must pay any relocation expenses before you move (e.g., because you must provide a security deposit if you lease your new location), discuss your financial needs with Charities. You may be able to obtain an advance payment. An advance payment may be placed in "escrow" to ensure that the move will be completed on a timely basis.

If you are a tenant, you must file your claim within 18 months after the date you move. If you own the property, you must file within 18 months after the date you move, or the date you receive the final acquisition payment, whichever is later. However, it is to your advantage to file as soon as possible after you move. The sooner you submit your claim, the sooner it can be processed and paid. If you are unable to file your claim within 18 months, Charities may extend this period.

You will be paid promptly after you file an acceptable claim. If there is any question regarding your right to a relocation payment or the amount of the payment, you will be notified, in writing, of the problem and the action you may take to resolve the matter.

Appeals

If you disagree with Charities 's decision as to your right to a relocation payment or the amount of payment, you may appeal the decision to Charities. Charities will inform you of its appeal procedures. At a minimum, you will have 18 months to file your appeal with Charities. Your appeal must be in writing. However, if you need help, Charities will assist you in preparing your appeal. If you are not satisfied with the final appeal decision, you may seek review of the matter by the courts.

Tax Status of Relocation Benefits

Relocation benefit payments may be considered as income for the purpose of the Internal Revenue Code of 1986 or the Personal Income Tax Law, Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code, or the Bank and Corporation Tax law, Part 11(commencing with Section 23001) of Division 2 of the Revenue and Taxation Code. The preceding statement is not tendered as legal advice in regard to tax consequences, and displacees should consult with their own tax advisor or legal counsel to determine the current status of such payments.

Additional Information

If you have further questions after reading this brochure, contact Autotemp and discuss your concerns with your relocation representative. You may wish to read the California Relocation Assistance Act regulations which describe the relocation process in more detail.

ATTACHMENT 4: RELOCATION PAYMENT POLICY AND PROCEDURES FOR OBTAINING RELOCATION ASSISTANCE AND PAYMENTS

Claims and supporting documentation for relocation benefits must be filed with the Developer within eighteen (18) months from the date the claimant moves from the acquired property.

The procedure for the preparation and filing of claims and the processing and delivery of payments will be as follows:

1. Claimant(s) will provide all necessary documentation to substantiate eligibility for assistance.
2. Assistance amounts will be determined in accordance with the provisions of the URA and California Relocation Law and Guidelines.
3. Required claim forms will be prepared by relocation personnel in conjunction with claimant(s). Signed claims and supporting documentation will be submitted by relocation personnel to the Developer.
4. The Developer will review and approve claims for payment or request additional information.
5. The Developer will issue benefit checks which will be available for pick-up by Claimants, unless circumstances dictate otherwise.
6. Final payments will be issued after confirmation that the Project area premises have been completely vacated and occupancy at the replacement unit is verified, if applicable.
7. Receipts of payment will be obtained and maintained in the relocation case file.

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 Notes as identified below.

1. Name of Borrower: **Alum Rock, L.P., a California limited partnership.**
2. City Council Meeting Date: **May 2, 2023.**
3. Name of Bond Issue / Conduit Revenue Obligations: **City of San José Multifamily Housing Revenue Note (1860 Alum Rock Apartments) Series 2023A-1 (Tax-Exempt)(the "2023A-1 Note") and City of San José Multifamily Housing Revenue Note (1860 Alum Rock Apartments) Series 2023A-2 (Taxable)(the "2023A-2 Note" and with the 2023A-1 Note, the "Notes")**
4. Private Placement Lender or Note Purchaser, Underwriter or XFinancial Advisor (mark one) engaged by the Borrower from which the Borrower obtained the following required good faith estimates relating to the Notes:
 - (A) The true interest cost of the Notes, 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 Notes (to the nearest ten-thousandth of one percent): **(a) 6.00% at permanent for the 2023A-1 Note (estimated as of 3/27/23; rate to be set prior to closing on or about 5/12/23) (b) rate on the 2023A-1 Note and 2023A-2 Note is variable during construction but assumed at 5.50%).**
 - (B) The estimated finance charges of the Notes, which mean the sum of all fees and charges paid to third parties: collectively, **\$2,010,364 (\$1,025,229 paid at closing per the costs of issuance budget, \$510,235 paid during the term of the Notes and \$474,900 paid from the maturity of the 2023A-1 Note through the end of the 55 year compliance period in the Regulatory Agreement).**
 - (C) The amount of proceeds received, or deemed received, by the public body for sale of the Notes less the finance charges of the Notes described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Notes: an estimated **\$27,241,026 (\$31,959,679 aggregate par of the Notes less estimated construction interest on the Notes). All other finance charges funded from a source other than the proceeds of the Notes).**
 - (D) The total payment amount, which means the sum total of all payments the Borrower will make to pay debt service on the Notes plus the finance charges of the Notes described in subparagraph (B) not paid with the proceeds of the Notes: **\$41,247,085 (consisting of: (a) estimated principal and interest payments of \$39,236,722 with respect to the Notes and (b) estimated finance charges identified in (B)).**

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

Dated: March 28, 2023