

# Approval of the Bond Issuance for 1860 Alum Rock Apartments

May 2, 2023

Item 3.4

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# Development Overview

- Located at 1860 Alum Rock Avenue
- Developed by Charities Housing
- 59 apartments for extremely low-income and very low-income individuals and families
- 30 apartments set aside for residents at risk of homelessness through County's Rapid Rehousing partnership
- 52% of apartments are 2-bed and 3-bed apartments for large families



# 1860 Alum Rock Sources of Funding

Source	Construction Amount	Permanent Amount	Entity	Type of Funding
Citibank Tax-exempt Loan	\$29,457,157	\$9,498,000	Private	Loan
Citibank Taxable Loan	\$2,502,522	\$0	Private	Loan
County of Santa Clara	\$9,006,176	\$9,006,176	Public	Loan
City of San José	\$8,087,753	\$8,087,753	Public	Loan
Housing Trust Silicon Valley	\$2,700,000	\$2,700,000	Private	Loan
Private Equity Investment	\$2,597,128	\$26,651,816	Private	Equity
<b>Total</b>	<b>\$54,350,736</b>	<b>\$55,943,745</b>		



# 1860 Alum Rock Bond Issuance

- \$29,468,877 in tax-exempt bonds and \$4,000,000 in taxable bonds
- The bonds are purchased by Citibank - City of San José, as conduit issuer, loans the bond sale proceeds to the developer to finance the construction of 1860 Alum Rock
- Allows the developer to qualify for \$27,630,717 in Low Income Housing Tax Credits over 10 years



# Upcoming Bond Issuances

## May 16 Council Meeting (2 issuances)

- **Tamien Station, 135 homes**
  - \$66,100,000 in tax-exempt bonds
- **The Charles, 99 homes**
  - \$44,562,052 in tax-exempt bonds
  - \$12,000,000 in taxable bonds

## May 23 Council Meeting (1 issuance)

- **777 West San Carlos, 154 homes**
  - \$70,700,000 in tax-exempt bonds
  - \$1,300,000 in taxable bonds

# Importance of City-issued Multifamily Housing Bonds

- The City issues Multifamily Housing Bonds to provide low-cost financing (through tax-exempt bonds) for developers along with low-income housing tax credits
- The City is considered a "conduit issuer"
  - Multifamily Housing Bond proceeds are loaned to a developer to finance a portion of the cost of the affordable housing project
  - Project rents and tax credits are used to repay the bonds
- Tax-exempt bonds can only be issued by a governmental entity (such as the City)

# Benefits of City-issued Multifamily Housing Bonds

- Protect other subordinate loans the City has made to the developer to subsidize housing
- Collect issuance and annual fees to recover some costs
- The City's taxing power and credit are NOT pledged to the bonds.

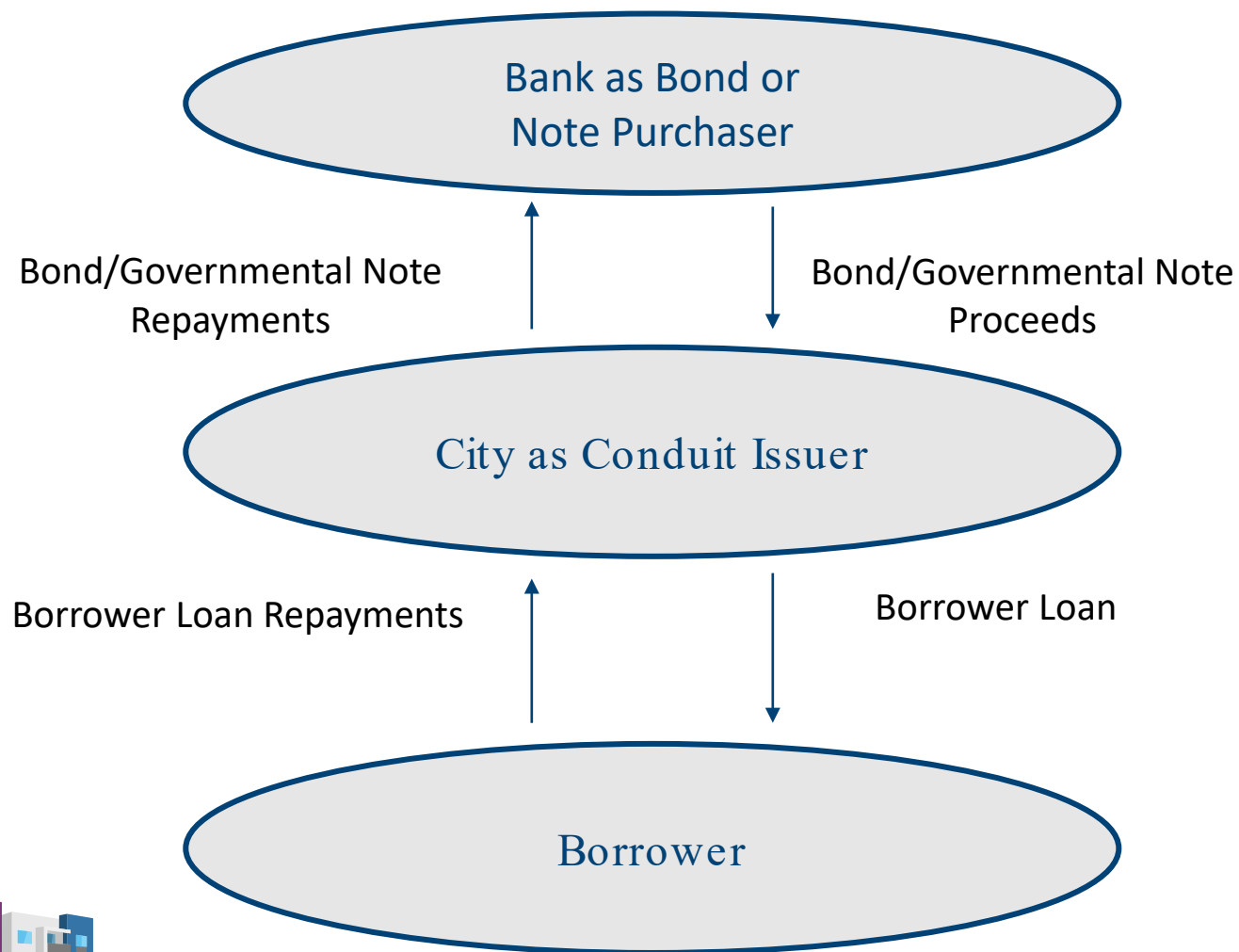


# Requirements for Tax-Exempt Housing Bonds

- Tax-exempt housing bonds must meet the requirements of the Federal tax code.
- Key requirements:
  - Income set-asides: either (a) 20% of the units must be set aside for households earning 50% of AMI or (b) 40% of the units must be set aside for households earning 60% of AMI. In most cases, 100% of the units are affordable.
  - Public Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing on the Project
  - Private activity volume cap from CDLAC, which allocates California's annual private activity bond ceiling (~\$4.7 Billion in 2023). As CDLAC limits the volume cap it will award, there may be need to issue taxable bonds
- The receipt of a CDLAC allocation automatically qualifies the Developer to receive 4% Federal low-income housing tax credits, which are administered by CTCAC



# Typical Multifamily Housing Bond Structure



# Compliance for Multifamily Housing Bonds

**The Borrower is required to fulfill compliance responsibilities. The Bank and tax credit investors take active roles in ensuring the Borrower fulfills these responsibilities.**

- Monitor expenditure of the bond proceeds – The City will still require the use of a trustee or fiscal agent to track payments
- Ensure bond covenants are met
- Remit revenues for bond repayment
- Provide suitable property management
- Provide information as to occupancy and income of residents
- Perform arbitrage rebate calculations and make arbitrage rebate payments
- Provide continuing disclosure to the Bank, tax credit investors, City and other subsidy providers



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