COUNCIL AGENDA: 5/23/23
FILE: 23-749
ITEM: 8.2

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Jacky Morales-Ferrand
Rick Bruneau

SUBJECT: SEE BELOW

DATE: May 1, 2023

Approved Jennifer A. Maguire

Date 5/12/23

COUNCIL DISTRICT: 6

SUBJECT: APPROVAL OF THE ISSUANCE OF TAX-EXEMPT AND TAXABLE MULTIFAMILY HOUSING REVENUE NOTES AND THE LOAN OF THE PROCEEDS THEREOF FOR THE FINANCING OF 777 WEST SAN CARLOS AND APPROVING RELATED DOCUMENTS

RECOMMENDATION

Adopt a resolution:

a. Authorizing the issuance of a: (1) tax-exempt multifamily housing revenue note designated as City of San José Multifamily Housing Revenue Note (777 West San Carlos), Series 2023C-1 (Tax-Exempt) in a principal amount not to exceed $70,700,000 and; (2) taxable multifamily housing revenue note designated as City of San José Multifamily Housing Revenue Note (777 West San Carlos), Series 2023C-2 (Taxable) in a principal amount not to exceed $1,300,000 (the 2023C-1 Note and with the 2023C-2 Note, collectively the 2023C Notes);

b. Approving the loan of 2023C Notes proceeds to San José Sunol Street LP (Borrower), a California limited partnership created by Danco Communities, a California for-profit corporation, to finance the construction and development of a 154-unit multifamily development known as 777 West San Carlos located at 260 Sunol Street, 270 Sunol Street, and 777 West San Carlos Street in San José (Development);

c. Approving in substantially final form the Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and Declaration of Restrictive Covenants, the Contingency Draw-Down Agreement, and related documents (collectively, the 2023C Notes Documents); and

d. Authorizing and directing the City Manager, Director of Housing, Director of Finance, Assistant Director of Housing, Assistant Director of Finance, Deputy Director of Finance - Debt and Treasury Management, or their designees, to execute and deliver the 2023C Notes Documents together with any documents ancillary to the 2023C Notes Documents.

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 of constructing the Development, a 154-unit affordable rental apartment project, with 153 apartments restricted to low-income, very low-income, and extremely low-income households that will remain affordable for a period of at least 55 years following completion of the Development, and one unrestricted manager's unit.

The Development will serve residents with current maximum annual incomes between 30% and 60% of area median income (AMI) with affordable rents adjusted for family size in accordance with California Health and Safety Code, as may be amended from time to time. Through a partnership with the County of Santa Clara's (County) Office of Supportive Housing, the Borrower (as defined in the section below) will set aside 51 of the units for tenants in the County's Rapid Rehousing program, which prioritizes residents who are experiencing homelessness, and will restrict these units to 30% AMI levels. Sixteen two- and three-bedroom units restricted to 30% AMI will be supported by Section 8 Project Based Vouchers for a period of at least 20 years. Thirty-five units will be restricted to 30% AMI levels. The remaining 51 units will serve individuals and households who earn up to 50% and 60% AMI. Twenty percent of the units are listed as Americans with Disabilities Act mobility units. The Development is located at 266 Sunol Street, 270 Sunol Street, and 777 West San Carlos Street in San José - see **Attachment A** – 777 West San Carlos Site Map.

BACKGROUND

Borrower

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

(1) Administrative General Partner: San José Sunol Street, LLC, a California limited liability company, the sole member of which is Danco Communities, a California corporation (Sponsor).
(2) Managing General Partner: Community Revitalization and Development Corporation, a California nonprofit public benefit corporation.
(3) Limited Partner: An entity to be formed by Royal Bank of Canada Capital Markets.

The Sponsor requested that the City issue the 2023C Notes for the purpose of lending the proceeds thereof to the Borrower. The proceeds of the 2023C Notes, together with other funds, will be used by the Borrower to finance the construction of the Development.

Development Overview

The Development involves the construction of: (a) 153 studio, one-bedroom, two-bedroom, and three-bedroom apartments with affordability restrictions and (b) one unrestricted three-bedroom manager's unit. The unit mix, current rent levels, and affordability levels by AMI for the Development are described in Table 1 below:

Table 1: Unit Mix

777 West San Carlos	30% AMI	Monthly Rent	50% AMI	Monthly Rent	60% AMI	Monthly Rent	Total
Studio	34	$884	5	$1,473	11	$1,768	50
1 Bedroom	17	$947	3	$1,579	5	$1,895	25
2 Bedroom	27	$1,137	4	$1,896	8	$2,275	39
3 Bedroom	24	$1,314	4	$2,190	11	$2,628	40*
Total	**102**		**16**		**35**		**154**

* One unrestricted manager's unit

Through its partnership with the County's Office of Supportive Housing, the Borrower will set aside 51 units for tenants in the County's Rapid Rehousing program, which prioritizes residents who are experiencing homelessness and will restrict these units to 30% AMI levels. Sixteen two- and three-bedroom units restricted to 30% AMI and, for a period of at least 20 years, be supported by Section 8 Project Based Vouchers. Thirty-five units will be restricted to 30% AMI levels. The remaining 51 units are projected to serve individuals and households who earn up to 50% and 60% AMI. Twenty percent of the units are listed as Americans with Disabilities Act mobility units.

The affordability restrictions for the Development will remain for a period of at least 55 years from the completion of construction.

The Development will consist of a six-story building with five floors over a podium-style structure. The building will be served by two elevators and will be fully accessible per California accessibility standards.

Community amenities will include a multi-purpose room, a community room with full kitchen, a manager's office, and therapy rooms/small offices for individual sessions. There will also be a second office reserved for a service coordinator, fitness room, yoga room, bike parking, bike repair area, package storage area, pet grooming room, and trash/recycle room. Laundry rooms will be provided on each residential floor and will contain efficient commercial-grade washers and dryers with fully accessible controls and maneuvering clearances. The Sponsor proposed a 3,000 square-foot commercial childcare center on site that would be able to serve 50 children.

The childcare center will feature offices for childcare facility staff, two 888 square-foot classrooms, and 1,875 square-foot outdoor play area. In terms of food access, LifeSTEPS will assist in the coordination of an onsite grocery program for residents. There will be approximately 75 parking spaces on the ground floor, of which 64 spaces will be for resident parking, seven spaces will be reserved childcare facility staff, and four spaces will be dedicated to staff. In addition, there will be approximately 154 bicycle storage spaces and 13 motorcycle parking spaces.

The Development will be constructed on a parcel that is currently owned by the Borrower, and which 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 $29,720,000, including an acquisition/predevelopment loan to the Borrower. The County will be the owner of the parcel because it negotiated its purchase of the land as part of its acquisition/predevelopment loan program.

The Development will also be subject to low-income housing tax credit restrictions. The Santa Clara County Housing Authority will provide Section 8 Project Based Vouchers for 16 two- and three-bedroom units set-aside to households earning no more than 30% AMI. The City and County will also provide funding subject to affordability restrictions.

Construction Schedule

Construction is expected to commence in June 2023 and run through November 2025, with 100% occupancy targeted for May 2026.

Demolition and Relocation

The site is currently being used for staging construction services with respect to the Sponsor's Mariposa Place project. There are no existing structures on the site and no tenants to be relocated. Limited off-site improvements are needed.

City Loan for the Development

The City agreed to lend the Borrower eligible development costs up to $21,420,500 during the construction period (City Construction Loan) and an additional $827,000 for a total of $22,247,500 during the permanent period (City Permanent Loan) after construction and lease-up (the City Permanent Loan and, with the City Construction Loan, collectively the City Loan). Of the total loan amount, up to $247,500 in Measure E funds are planned to provide tenant improvements for a childcare facility. The source of funding for the City Loan will be the Inclusionary Fee Fund, Low and Moderate Income Housing Asset Fund, and Measure E monies in the General Fund, or other sources at the City's discretion. The City Loan will be accompanied by an affordability restriction (City's Affordability Restriction) that is unsubordinated to any deeds of trust. The City's Affordability Restriction will run for at least 55 years following the completion of construction. Table 2 displays the City's funding sources for the total City Loan amount.

Table 2: City Loan Funding Sources

Funding Source	Funding Amount
Inclusionary Fee Fund	$12,428,571
Low and Moderate Income Housing Asset Fund	$9,571,429
Measure E	$247,500
Total	**$22,247,500**

City as Issuer of Multifamily Housing Bonds

The City Council-approved Policy for Issuance of Multifamily Housing Revenue Bonds requires the City to be the issuer of 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, numbers 61144 and 61716, the City's 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 of the San José Municipal Code.

Sources of Project Funding

The 2023C Notes will fund a portion of the total Development costs, which are currently estimated to be $138,030,091. Based on the Borrower's proforma dated April 11, 2023, during the construction period, the 2023C Notes will be drawn down over time up to an estimated aggregate amount of $72,000,000 and will bear interest at a variable rate. Following the completion of construction of the Development and its lease-up , the taxable 2023C-2 Note will be repaid in full and the tax-exempt 2023C-1 Note will be paid down to a remaining principal amount of approximately $13,330,000, with the interest rate on the 2023C-1 Note converted to a fixed rate that will be set prior to the 2023C Notes closing. The primary sources of repayment of the 2023C Notes at conversion to the permanent financing phase are anticipated to be Federal and State low-income housing tax credit proceeds.

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

Table 3: Project Sources and Uses

City of San José – 777 West San Carlos
Plan of Finance – Sources of Funding

Source	Construction	Permanent
Citibank Tax-Exempt Note	$ 70,700,000	$ 13,330,000
Citibank Taxable Note	1,300,000	0
City Loan	21,420,500	22,247,500
City Library Funds	0	247,500
County Loan	29,720,215	29,720,215
Federal Tax Credit Equity	6,682,470	53,459,757
State Tax Credit Equity	0	17,325,119
Deferred Reserves and Costs	3,326,906	0
Deferred Developer Fee	4,880,000	1,700,000
Total	$ 138,030,091	$ 138,030,091

City of San José – 777 West San Carlos
Plan of Finance – Uses of Funding at Permanent

Uses	Permanent
Acquisition Costs/Predevelopment Carry	$ 12,400,000
Construction	98,483,686
Architect and Engineering	2,200,000
Hard and Soft Cost Contingency	5,724,169
Construction Interest and Fees	8,843,508
Permanent Financing	40,000
Legal Fees	185,000
Reserves	1,213,631
Other Project Costs	3,660,097
Developer Fee	5,280,000
Total	$ 138,030,091

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 obligations for the Development in an amount not to exceed $86,760,000.
- August 5, 2022 - The City submitted a joint application to the California Debt Limit Allocation Committee (CDLAC) and California Tax Credit Allocation Committee for: (a) a private activity allocation in the amount of $70,700,000, and (b) $6,157,840 in annual 4% Federal tax credits, and (c) $19,913,930 in total State credits California Tax Credit Allocation Committee.
- November 30, 2022 - The City received a private activity bond allocation from CDLAC for the 2023C-1 Note and the Borrower received a reservation of 4% Federal tax and State tax credits in the requested amounts.
- March 27, 2023 - The Director of Finance held a Tax Equity and Fiscal Responsibility Act hearing regarding the issuance of tax-exempt multifamily housing revenue obligations in an amount not to exceed $86,760,000 to finance the construction of the Development.
- March 27, 2023 – Resolution certified the actions of the Director of Finance.

ANALYSIS

The Development will provide 153 homes, with 102 homes restricted for households with incomes at or below 30% AMI, 16 homes restricted for households with incomes at or below 50% AMI, and 35 homes restricted for households with incomes at or below 60% AMI. LifeSTEPS will assist in the coordination of an onsite grocery program for residents in need of food.

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 2023C 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 2023C Notes pursuant to California Health and Safety Code Sections 52075-52098, as amended, which authorize 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 Sections 52075-52098. The 2023C-1 Note uses a portion of the State's annual federal tax-exempt private activity volume cap allocated by CDLAC.

The 2023C-1 Note also allows the Development to qualify for tax credits provided through the California Tax Credit Allocation Commission. The 2023C Notes are a limited obligation 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 Office of the Comptroller of the Currency's definition of a Community Reinvestment Act loan as well as CDLAC'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 AMI or (2) at least 40% of the units must be reserved for occupancy by individuals and families whose income is 60% or less of AMI. While this second restriction will be incorporated into the Regulatory Agreement and Declaration of Restrictive Covenants for the 2023C-1 Note, the Development will also be subject to additional affordability restrictions.

Structure of the 2023C Notes

Direct Purchase/Funding Structure

The 2023C 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 rents. The 2023C Notes may only be transferred in amounts representing not less than 15% of the outstanding principal amount of the applicable 2023C Notes 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, and (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 buyer. If the 2023C Notes are transferred to an Approved Transferee, the new holder must sign and deliver a similar Investor Letter to the City and fiscal agent.

Principal Amounts and Terms

Based on current projections, the estimated maximum par amount of the 2023C-1 Note will be $70,700,000 and the estimate maximum amount of the 2023C-2 Note will be $1,300,000. After the Development is constructed and leased up, and conversion to the permanent loan phase occurs (the Conversion Date), the 2023C-2 Note is expected to be repaid in full and the 2023C-1 Note is expected to be paid down to a permanent loan amount estimated at $13,330,000. The source of 2023C Notes repayment on the Conversion Date will be Federal and State low-income housing tax credit proceeds. The Conversion Date is anticipated to occur approximately 36 months after the 2023C Notes closing, subject to one six-month extension.

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

Interest Rate

During construction, the interest rate on the 2023C Notes will be variable and based on a one-month term Secured Overnight Funding Rate[1], plus a spread. The interest rate will convert to a fixed rate after the Conversion Date based on the 18-year United States LIBOR Swap Index rate plus a spread – with the rate set prior to 2023C Notes closing. The estimated permanent loan rate is approximately 6.36% based on the most recent projection (5.92% in current market conditions plus a cushion of 0.44%).

[1] Secured Overnight Funding Rate represents a broad measure of the cost of borrowing collateralized by United States Treasury securities. The Secured Overnight Funding Rate 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 Secured Overnight Funding Rate is set by the New York Federal Reserve Bank.

Financing Documents

The following is a brief description of the documents the City Council is asked to approve and authorize their execution. Copies of these documents will be available in the City Clerk's Office as of May 8, 2023.

Funding Loan Agreement

The Funding Loan Agreement is among the City, Citibank as funding lender (the Funding Lender), and Computershare Trust Company, N.A. 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. Pursuant to the Funding Loan Agreement, the Fiscal Agent is authorized to receive, hold, invest, and disburse the 2023C Notes proceeds and other funds 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 2023C 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 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 2023C Notes proceeds to the Borrower for the construction of the Development and for the repayment of such loan by the Borrower. The loan of 2023C Notes proceeds will be evidenced by two promissory notes (Borrower Notes) that correspond to the repayment terms of the 2023C-1 Note and 2023C-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 and notices and to indemnification.

Regulatory Agreement and Declaration of Restrictive Covenants

The Regulatory Agreement and Declaration of Restrictive Covenants (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 following completion of construction.

The Contingency Draw-Down Agreement

The Contingency Draw-Down Agreement provides for the conversion of the 2023C-1 Note from a draw-down loan to a fully funded loan, if needed, to preserve the tax-exempt status of interest on the 2023C-1 Note. 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.

Financing Team Participants

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

- City's Municipal Advisor: Ross Financial
- Bond Counsel: Quint & Thimmig LLP
- Fiscal Agent: Computershare Trust Company, N.A.
- 2023C Notes Purchaser: Citibank, N.A.

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

Financing Schedule

The current proposed schedule is as follows:

- City Council approval of 2023C Notes/Notes Documents May 23, 2023
- CDLAC deadline for 2023C Notes Closing June 12, 2023

Public Disclosure Report Relating to Conduit Revenue Obligations

The Borrower, through its financial consultant, prepared the attached public disclosures report pursuant to California Government Code Section 5852.1, providing good faith estimates of certain costs associated with the issuance of the 2023C Notes. See **Attachment B** – Public Disclosures Relating to Conduit Revenue Obligations.

City Subordinate Financing

The City has agreed to lend up to $21,420,500 during the construction period and an additional $827,000 for a total of $22,247,500 during the permanent period after construction and lease up. The source of funding for the City Loan will be the Low and Moderate Income Fund or other sources at the City's discretion. Of the total $22,247,500 loan, there will be $247,500 in Measure E funding to be used specifically to provide tenant improvements for a childcare facility. As authorized by the recommended actions and under her Delegation of Authority, the Director of Housing will negotiate City Loan documents.

City Issuance and Monitoring Fees

City Policy for Issuance of Multifamily Housing Revenue Bonds

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

Issuance fee is an amount equal to the sum of (a) 0.50% of the first $10,000,000 issued and (b) 0.25% of the remaining par issued.

Annual Monitoring Fee applicable to for-profit developers is an amount equal to 0.125% of the initial par until the term of the Regulatory Agreement expires.

Based on the current estimated aggregate 2023C Notes par of $72,000,000, the City's policy would require an: (a) issuance fee of $205,000 and (b) an annual monitoring fee of $88,375 thereafter throughout construction and the Regulatory Agreement term. If the 2023C-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 memorandum aligns with one or more of Climate Smart San José energy, water, or mobility goals. The 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 and residents from this community will have grocery, pharmacy, restaurants, and various other food and retail shopping options and light rail and bus connections within walking distance from their home.

EVALUATION AND FOLLOW-UP

This memorandum presents the set of recommendations related to the City Council's approval of the issuance of the 2023C Notes and requires no follow-up to the City Council. Once the 2023C Notes financing closes, anticipated in early-June 2023, and the construction of the Development commences, the Housing Department will provide updates in its periodic posted at www.sjhousing.org.

COST SUMMARY/IMPLICATIONS

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

The City is expected to receive revenue of $205,000 from the issuance of the 2023C Notes and an annual monitoring fee of $88,375 during the construction period and throughout the term of the Regulatory Agreement. Total loan funding in the amount of $22,247,500 has been previously appropriated in the Low and Moderate Income Housing Asset Fund and in the General Fund (Measure E). Encumbrances established in 2022-2023 will support all obligations that are realized in the current fiscal year, and the division of costs included on page five of this memorandum is incorporated into the 2023-2024 Proposed Operating Budget.

COORDINATION

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

PUBLIC OUTREACH

This memorandum and the 2023C Notes Documents will be posted on the City's Council Agenda website for the May 23, 2023 City Council meeting.

The method of notifying the community of the City's intent to issue the tax-exempt private activity bonds is the Tax Equity and Fiscal Responsibility Act Hearing. The Tax Equity and Fiscal Responsibility Act Hearing was held on 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 Tax Equity and Fiscal Responsibility Act Hearing.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

The Development 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.

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.

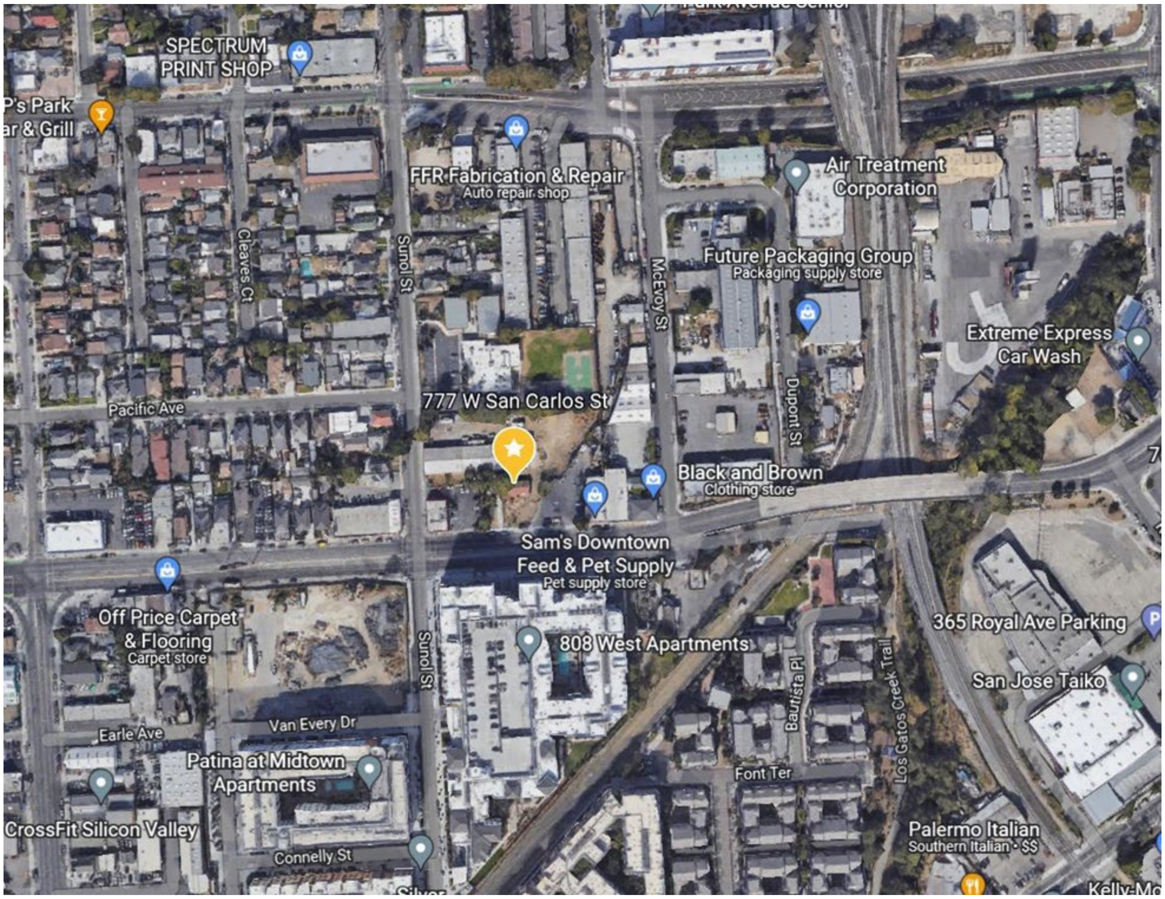
/s/	/s/
RICK BRUNEAU	JACKY MORALES-FERRAND
Director of Finance	Director, Housing Department

The principal authors of this memorandum are Banu San, Housing Policy and Plan Administrator, and Jimmy Lin, Development Officer. For questions regarding the financing plan, please contact Qianyu Sun, Deputy Director, Finance Department, at Qianyu.Sun@sanjoseca.gov or (408) 535-7832. For questions regarding the project, please contact Rachel VanderVeen, Assistant Director, Housing Department, at Rachel.VanderVeen@sanjoseca.gov or (408) 535-8231.

ATTACHMENTS
Attachment A: 777 West San Carlos Site Map
Attachment B: Public Disclosure Relating to Conduit Revenue Obligations

ATTACHMENT A: 777 WEST SAN CARLOS SITE MAP

777 West San Carlos



ATTACHMENT B: 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: **San José Sunol Street LP, a California limited partnership**.

2. City Council Meeting Date: **May 23, 2023**.

3. Name of Bond Issue / Conduit Revenue Obligations: **City of San José Multifamily Housing Revenue Note (777 West San Carlos) Series 2023C-1 (the 2023C-1 Note) and City of San José Multifamily Housing Revenue Note (777 West San Carlos) Series 2023C-2 (Taxable) (the 2023C-2 Note and with the 2023C-1 Note, the 2023C Notes)**

4. __Private Placement Lender or Note Purchaser, __Underwriter or X Financial Advisor (mark one) engaged by the Borrower from which the Borrower obtained the following required good faith estimates relating to the 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) 6.12% at permanent for the 2023C Notes (estimated as of 2/14/23; rate to be set prior to closing on or about 6/1/23) (b) rate on the 2023C Notes is variable during construction but assumed at 7.49% for the 2023C-1 Note and 7.99% for the 2023C-2 Note).**

(B) The estimated finance charges of the 2023C Notes, which mean the sum of all fees and charges paid to third parties: collectively, **$6,320,500 ($1,325,500 paid at closing per the costs of issuance budget, $1,665,000 paid during the term of the 2023C Notes and $3,330,000 paid from the maturity of the 2023C Notes 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 2023C Notes less the finance charges of the 2023C Notes described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the 2023C Notes: an estimated **$67,914,371,000 ($72,000,000 par of the 2023C Notes less estimated construction interest). All other finance charges funded from a source other than the proceeds of the 2023C Notes).**

(D) The total payment amount, which means the sum total of all payments the Borrower will make to pay debt service on the 2023C Notes plus the finance charges of the 2023C Notes described in subparagraph (B) not paid with the proceeds of the 2023C Notes: **$85,095,065 (consisting of: (a) estimated principal and interest payments of $78,774,565 with respect to the 2023C 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: April 5, 2023