

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
August 5, 2025**

The project, 525 Water Street, located at 525 Water Street in Santa Cruz on a 0.76 acre site, requested and is being recommended for a reservation of \$4,230,818 in annual federal tax credits, \$4,755,237 in total state tax credits, and \$47,076,397 of tax-exempt bond cap to finance the new construction of 90 units of housing, consisting of 89 restricted rental units and 1 unrestricted manager's unit. The project will have 33 one-bedroom units, 24 two-bedroom units, 23 three-bedroom units, and 10 four-bedroom units, serving families with rents affordable to households earning 30%-60% of area median income (AMI). The construction is expected to begin in February 2026 and be completed in October 2027. The project will be developed by Zen Development LLC and will be located in Senate District 17 and Assembly District 28.

The project will be receiving rental assistance in the form of HUD Section 8 Project Based Vouchers, VASH Project Based Vouchers, and HUD 811 PRA Contracts. The project financing includes state funding from the Multifamily Housing Program (MHP) of HCD.

Project Number CA-25-527

Project Name 525 Water Street
Site Address: 525 Water Street
Santa Cruz, CA 95060

County: Santa Cruz
Census Tract: 1002.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$4,230,818	\$4,755,237
Recommended:	\$4,230,818	\$4,755,237

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Tax-Exempt Bond Allocation
Recommended: \$47,076,397

CTCAC Applicant Information

CTCAC Applicant/CDLAC Sponsor: Kingdom Development, Inc.
Applicant for State Credits: CREA LLC
Contact: William Leach
Address: 6451 Box Springs Boulevard
Riverside, CA 92507
Phone: (951) 538-6244
Email: william@kingdomdevelopment.net

Bond Financing Information

CDLAC Applicant/Bond Issuer: California Municipal Finance Authority
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
Denomination: Not Applicable

Development Team

General Partners / Principal Owners: Zen Development LLC
 Kingdom AN, LLC
 General Partner Type: Joint Venture
 Parent Companies: Zen Development LLC
 Kingdom Development, Inc
 Developer: Zen Development LLC
 Investor/Consultant: CREA LLC
 Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 90
 No. / % of Low Income Units: 89 100.00%
 Average Targeted Affordability: 47.98%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD-VASH Section 8 Project-based
 Vouchers (23 Units - 26%) / HUD Section 8 Project-based
 Vouchers (10 Units - 11%) / HUD Section 811 PRA
 Contract (9 Units - 10%) / Community Development Block
 Grant - Disaster Recovery (CDBG-DR)

Information

Housing Type: Large Family
 Geographic Area: Bay Area Region
 State Ceiling Pool: New Construction
 Set Aside: Homeless Set Aside
 Homeless Set Aside Units: 23
 CDLAC Project Analyst: Curtis Lackey
 CTCAC Project Analyst: Chris Saenz

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI:	31	35%
50% AMI:	14	16%
60% AMI:	44	49%

Unit Mix

33	1-Bedroom Units
24	2-Bedroom Units
23	3-Bedroom Units
10	4-Bedroom Units
90	Total Units

<u>Unit Type & Number</u>	<u>2025 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	30%	\$1,112
10 1 Bedroom	30%	\$1,112
7 1 Bedroom	30%	\$1,112
10 1 Bedroom	50%	\$1,854
2 2 Bedrooms	30%	\$1,335
3 2 Bedrooms	50%	\$2,225
2 2 Bedrooms	30%	\$1,335
16 2 Bedrooms	60%	\$2,670
1 3 Bedrooms	30%	\$1,542
2 3 Bedrooms	30%	\$1,543
1 3 Bedrooms	50%	\$2,571
19 3 Bedrooms	60%	\$3,085
1 4 Bedrooms	30%	\$1,720
9 4 Bedrooms	60%	\$3,441
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,400,000
Construction Costs	\$54,384,559
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$4,253,970
Soft Cost Contingency	\$755,852
Relocation	\$0
Architectural/Engineering	\$1,933,778
Const. Interest, Perm. Financing	\$10,921,839
Legal Fees	\$660,000
Reserves	\$1,112,493
Other Costs	\$2,837,152
Developer Fee	\$10,612,420
Commercial Costs	\$0
Total	\$94,872,063

Residential

Construction Cost Per Square Foot:	\$617
Per Unit Cost:	\$1,054,134
Estimated Hard Per Unit Cost:	\$530,669
True Cash Per Unit Cost*:	\$967,217
Bond Allocation Per Unit:	\$523,071
Bond Allocation Per Restricted Rental Unit:	\$528,948

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank: Tax-Exempt	\$47,076,397
Citibank: Taxable	\$13,150,752
HCD: CDBG-DR-MHP	\$13,390,216
Deferred Cost	\$15,338,811
Tax Credit Equity	\$5,915,887

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$20,829,836
HCD: CDBG-DR-MHP	\$26,780,431
Deferred Developer Fee	\$7,822,552
Tax Credit Equity	\$39,439,244
TOTAL	\$94,872,063

*Less Donated Land, Seller Carryback Loans, Waived Fees, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$81,361,890
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$105,770,457
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$4,230,818
Total State Credit:	\$4,755,237
Approved Developer Fee (in Project Cost & Eligible Basis):	\$10,612,420
Federal Tax Credit Factor:	\$0.84003
State Tax Credit Factor:	\$0.81992

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

CTCAC Significant Information / Additional Conditions

Staff noted a per unit development cost of \$967,217. The applicant noted that the per unit cost is attributed to prevailing wages, supply chain costs, and high interest rates.

The project will restrict 32 Low-Income Units (36% of the Low-Income Units) to serve Special Needs Population(s), as defined in CTCAC Regulations Section 10302(kkk).

CDLAC Analyst Comments: None.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

The applicant shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis, and tax credit amount determined by CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	10
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	120

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 122.246%