

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

Gateway Tower, located at 470 South Market Street in San Jose on a 0.5 acre site, requested and is being recommended for a reservation of \$9,524,617 in annual federal tax credits and \$12,695,387 in total state tax credits and \$95,423,012 of tax-exempt bond cap to finance the new construction of 220 units of housing, consisting of 218 restricted rental units and 2 unrestricted manager's units. The project will have 33 studio units, 101 one-bedroom units, 78 two-bedroom units, and 8 three-bedroom units, serving tenants with rents affordable to households earning 30%-70% of area median income (AMI). The construction is expected to begin in January 2026 and be completed in January 2028. The project will be developed by Core Affordable Housing, LLC and will be located in Senate District 15 and Assembly District 25.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Mixed-Income Program (MIP) of CalHFA.

**Project Number** CA-25-590

**Project Name** Gateway Tower  
Site Address: 470 South Market Street  
San Jose, CA 95113  
County: Santa Clara  
Census Tract: 5017.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$9,524,617	\$12,695,387
Recommended:	\$9,524,617	\$12,695,387

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

**Tax-Exempt Bond Allocation**  
Recommended: \$95,423,012

**CTCAC Applicant Information**  
CTCAC Applicant/CDLAC Sponsor: Affordable Housing CDC, Inc.  
Contact: Carl Hertel  
Address: 27762 Antonio Parkway, L1-624  
Ladera Ranch, CA 92694  
Phone: 415 988 5473  
Email: chertel@thecorecompanies.com

**Bond Financing Information**  
CDLAC Applicant/Bond Issuer: CalHFA  
Bond Counsel: Orrick, Herrington & Sutcliffe LLP  
Private Placement Purchaser: Chase Bank  
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: Core Gateway Tower SJ, LLC  
 AHCDC Gateway Tower LLC

General Partner Type: Joint Venture

Parent Companies: Core Affordable Housing, LLC  
 Affordable Housing CDC, Inc.

Developer: Core Affordable Housing, LLC

Investor/Consultant: Enterprise Community Partners

Management Agent: Greystar

**Project Information**

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 220

No. / % of Low Income Units: 218 100.00%

Average Targeted Affordability: 43.39%

Federal Set-Aside Elected: 40%/60% Average Income

Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (65 units - 30%)

**Information**

Housing Type: Non-Targeted

Geographic Area: Bay Area Region

State Ceiling Pool: New Construction

Set Aside: Mixed Income Set Aside

Homeless Set Aside Units: N/A

CDLAC Project Analyst: Brandon Medina

CTCAC Project Analyst: Michael Reichert

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
30% AMI:	120	55%
50% AMI:	26	12%
60% AMI:	48	22%
70% AMI*:	24	11%

\*CTCAC restricted only

**Unit Mix**

33	SRO/Studio Units
101	1-Bedroom Units
78	2-Bedroom Units
8	3-Bedroom Units
220	Total Units

<b>Unit Type &amp; Number</b>	<b>2025 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
25 SRO/Studio	30%	\$1,055
4 SRO/Studio	50%	\$1,758
4 SRO/Studio	70%	\$2,267
30 1 Bedroom	30%	\$1,130
11 1 Bedroom	50%	\$1,884
48 1 Bedroom	60%	\$2,261
11 1 Bedroom	70%	\$2,638
59 2 Bedrooms	30%	\$1,356
10 2 Bedrooms	50%	\$2,261
8 2 Bedrooms	70%	\$2,967
6 3 Bedrooms	30%	\$1,567
1 3 Bedrooms	50%	\$2,611
1 3 Bedrooms	70%	\$3,656
1 1 Bedroom	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$500,000
Construction Costs	\$141,893,442
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$7,094,672
Soft Cost Contingency	\$796,575
Relocation	\$0
Architectural/Engineering	\$6,403,225
Const. Interest, Perm. Financing	\$21,495,132
Legal Fees	\$680,000
Reserves	\$1,364,228
Other Costs	\$7,121,677
Developer Fee	\$11,606,931
Commercial Costs	\$0
<b>Total</b>	<b>\$198,955,882</b>

**Residential**

Construction Cost Per Square Foot:	\$678
Per Unit Cost:	\$904,345
Estimated Hard Per Unit Cost:	\$570,953
True Cash Per Unit Cost*:	\$878,436
Bond Allocation Per Unit:	\$433,741
Bond Allocation Per Restricted Rental Unit:	\$491,871

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JP Morgan Chase: Tax-Exempt	\$95,423,012	CalHFA: Tax-Exempt	\$42,545,000
JP Morgan Chase: Taxable	\$34,121,988	CalHFA: MIP	\$4,000,000
County of Santa Clara	\$45,830,000	County of Santa Clara	\$45,830,000
Deferred Costs	\$12,838,998	Accrued Interest	\$1,285,000
Tax Credit Equity	\$10,741,884	Developer Fee Contribution	\$4,035,712
		Deferred Developer Fee	\$5,700,000
		Tax Credit Equity	\$95,560,170
		<b>TOTAL</b>	<b>\$198,955,882</b>

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

#### Determination of Credit Amount(s)

Requested Eligible Basis:	\$183,165,702
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$238,115,413
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$9,524,617
Total State Credit:	\$12,695,387
Approved Developer Fee (in Project Cost & Eligible Basis):	\$11,606,931
Federal Tax Credit Factor:	\$0.89000
State Tax Credit Factor:	\$0.85000

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 \$878,436. The applicant noted that the per unit cost is attributed to the irregular shape of the building plot, grade changes across the site, preservation of two existing buildings, inclusion of a large historic exhibit, and high per stall parking costs.

Projects with subsidies from HUD are required to use Utility Allowances (UAs) approved by HUD. The applicant’s use of the CUAC for Gateway Tower/CA-25-590 is subject to approval by HUD.

**CDLAC Analyst Comments:** 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).

<b>Point Criteria</b>	<b>New Const. Max. Points</b>	<b>Rehabilitation Max. Points</b>	<b>Points Scored</b>
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	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
<b>Total Points</b>	120	110	119

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:** 125.719%