



831 Water Street 24012

Multifamily Staff Report

Version: 2024-8

Executive Summary	
CalHFA Project Number	24012
Project Name	831 Water Street
Type of Development	New Construction
Type of Project	Family, Special Needs
Total Units [MIP Restricted Units]	140 (139 MIP restricted)
Street Address	823 – 833 Water Street
City, County, Zip Code	Santa Cruz, Santa Cruz County, 95060
Borrower (Legal entity name)	831 Water Street LP
Developer(s)	Novin Development Corp.
Co-Developer	N/A
Approved Conduit Issuances	
Conduit T/E Issuance [CDLAC Meeting: 8/6/24 (initial; 12/13/24 supplemental)]	\$59,000,000 [Includes 10% cushion and rounded to nearest \$1m]
Conduit Taxable Issuance	\$24,000,000 [Includes 10% cushion and rounded to nearest \$1m]
Recycled Bond Volume Cap to be utilized, if available	N/A
Requested CalHFA Financing for Approval	
CalHFA Tax-Exempt Permanent Loan Amount	\$36,516,568 UW Rate and Loan Term: [7.06%, fixed; 1 st lien; 40-year amortization due in 17 years]
CalHFA Taxable Permanent Loan Amount (if any)	\$0
HUD Risk Sharing Requirement (1 st lien loan)	Yes
CalHFA Subordinate/Subsidy Financing Type	Mixed-Income Program (MIP) 2024
CalHFA Subordinate/Subsidy Financing Amount	\$ 4,000,000 UW Rate and Loan Term: [3.00%, fixed-simple; 2 nd lien; residual receipts; due in 17 years]
Key Dates and Approvals	
SLC Initial Commitment Approval/ Declaration of Intent Date	4/22/2024
SLC Final Commitment Approval Date	9/24/2025
CDLAC Volume Cap Award Date	8/6/2024 (original); 12/13/2024 (supplemental)
CTCAC Tax Credit Award Date	8/6/2024
CDLAC Closing Deadline	10/31/2025
Construction Loan Closing Date [Est.]	10/31/2025
Est. CalHFA Loan Closing (perm conversion) Date	11/1/2028
Federal Tax Credits (LIHTC) Requested	Federal LIHTC Amount: \$44,200,870
State Tax Credits Requested	State Tax Credit Amount: \$11,313,927
Notes:	



Table of Contents

1. Project Summary.....	1
2. Development and Financing Team	2
3. Summary of Material Changes from Initial Commitment Approval.....	3
4. Requested CalHFA Financing for Approval	4
5. Project Budget & Total Development Cost.....	6
6. Affordability Requirements	12
7. Financial Analysis	13
8. Insurance Requirements.....	20
9. Third-party reports and diligence	21
10. Risk Identification and Mitigations	22
11. Supplementary Project Information.....	23
12. Development Team Experience.....	24
13. Conditions for Approval.....	28
14. Approval Recommendation and Action.....	29



1	Project Summary																														
1a	Project Description																														
	831 Water Street (the “Project”) is a new construction, family and special needs, mixed-income, and mixed-use project. The building itself is part of a master development and subject to inclusionary housing requirements by the City of Santa Cruz. The total development site area is 0.91 acres and is located in Santa Cruz, Santa Cruz County. The Project will consist of one, 5-story (East Wing) and one 4-story (West Wing) mid-rise, elevator-serviced building, and 1,955 sq. ft of ground-floor commercial space. The commercial space will be master leased under a Triple Net Lease structure to a third-party affiliate entity of the Developer (Sponsor) and is part of the subject’s development costs. The Project will have 140 residential units, of which 139 units will be restricted between 30% and 120% of the Santa Cruz County Area Median Income (“AMI”). There will be 64 studio units (400 sq. ft.), 59 one-bedroom units (450 sq. ft.), 13 two-bedroom units (700 sq. ft.), and 3 three-bedroom units (1,175 sq. ft.). In addition, 1 of the two-bedroom units will serve as the manager’s unit. There will be 64 units covered by Section 8 Project-Based Vouchers provided by the Housing Authority of the County of Santa Cruz (HACSC) for an initial term of 15 years and the ability to extend the contract any time prior to contract expiration. The Project will have 43 residential parking spaces. The Project site currently includes an occupied strip mall with 5 commercial tenants and a self-serve car wash station; all structures will be demolished during the course of construction. CalHFA has received a relocation plan for the commercial tenants that recommends \$320,000 in relocation costs that will be paid by the seller, who is affiliated with the developer/sponsor/borrower. The relocation charges will be charged back to the Project at construction loan closing. This site is expected to be delivered vacant to the borrower. The Project’s financing structure includes financing from: Tax-exempt (T/E) bonds, Conventional Taxable loan, 4% Federal Low Income Housing Tax Credit (LIHTC) equity, State Housing Tax Credit equity, seller carryback loan, income from operations, CalHFA Tax-Exempt Permanent Loan, and CalHFA Subordinate financing through a Mixed-Income (MIP) Subsidy Loan.																														
	<table> <tr> <th colspan="2" data-bbox="207 1266 560 1304">Residential Areas</th><th colspan="2" data-bbox="560 1266 764 1304">Commercial Areas (If Mixed-use)</th></tr> <tr> <td data-bbox="207 1304 560 1341">Land Area (Acres)</td><td data-bbox="560 1304 764 1341">0.91</td><td data-bbox="764 1304 1235 1341">Land Area (Acres)</td><td data-bbox="1235 1304 1450 1341">0.91</td></tr> <tr> <td data-bbox="207 1341 560 1379">Residential Units / Acre</td><td data-bbox="560 1341 764 1379">182.4</td><td data-bbox="764 1341 1235 1379">Number of Lease spaces</td><td data-bbox="1235 1341 1450 1379">See Note 1</td></tr> <tr> <td data-bbox="207 1379 560 1417">Residential Area (Sq. Ft)</td><td data-bbox="560 1379 764 1417">63,535</td><td data-bbox="764 1379 1235 1417">Commercial Area (Sq. Ft)</td><td data-bbox="1235 1379 1450 1417">1,955</td></tr> <tr> <td data-bbox="207 1417 560 1455">Community Area (Sq. Ft)</td><td data-bbox="560 1417 764 1455">1,400</td><td data-bbox="764 1417 1235 1455">Commercial Parking Spaces</td><td data-bbox="1235 1417 1450 1455">See Note 2</td></tr> <tr> <td data-bbox="207 1455 560 1493">Supportive Services Area</td><td data-bbox="560 1455 764 1493">150</td><td data-bbox="764 1455 1235 1493">Master Lease?</td><td data-bbox="1235 1455 1450 1493">Yes</td></tr> <tr> <td data-bbox="207 1493 560 1560">Residential Parking Space</td><td data-bbox="560 1493 764 1560">43</td><td data-bbox="764 1493 1235 1560">Condo Structure (not part of subject financing)</td><td data-bbox="1235 1493 1450 1560">No</td></tr> </table>			Residential Areas		Commercial Areas (If Mixed-use)		Land Area (Acres)	0.91	Land Area (Acres)	0.91	Residential Units / Acre	182.4	Number of Lease spaces	See Note 1	Residential Area (Sq. Ft)	63,535	Commercial Area (Sq. Ft)	1,955	Community Area (Sq. Ft)	1,400	Commercial Parking Spaces	See Note 2	Supportive Services Area	150	Master Lease?	Yes	Residential Parking Space	43	Condo Structure (not part of subject financing)	No
Residential Areas		Commercial Areas (If Mixed-use)																													
Land Area (Acres)	0.91	Land Area (Acres)	0.91																												
Residential Units / Acre	182.4	Number of Lease spaces	See Note 1																												
Residential Area (Sq. Ft)	63,535	Commercial Area (Sq. Ft)	1,955																												
Community Area (Sq. Ft)	1,400	Commercial Parking Spaces	See Note 2																												
Supportive Services Area	150	Master Lease?	Yes																												
Residential Parking Space	43	Condo Structure (not part of subject financing)	No																												
	Notes: - There will be 1 commercial space. In addition, 4 of the 139 residential units will be designated live-work units. Commercial income has not been included in the project’s net operating income used to size CalHFA’s amortizing debt as this is not allowed under the HUD Risk Sharing Program and TCAC. However, CalHFA policy requires any commercial surplus (after commercial operating expenses) be applied annually towards reducing residual receipt payments between subordinate lenders on a pro-rata basis. - There may be 2-3 commercial parking spaces, but it has yet to be determined and will likely be reserved for property management staff.																														



1b	Project Location Geocoder Information		
The Project is located in Santa Cruz, Santa Cruz County. The Project will be subject to a density bonus agreement ("DBA"), required by the city, at construction closing. The DBA will restrict 135 units at or below 80% AMI. 113 units will be restricted for 55 years and 22 units will be restricted in perpetuity. In exchange for these restrictions, the DBA will allow for an increase in building height, increased unit density, reduced outdoor space, and reduced set-back. The DBA will be subject to CalHFA subordination or standstill agreement at permanent loan closing. See Section 6a Notes for more detail on the City's affordability restriction.			
Inside Principal City?	Yes	Underserved or Distressed Tract?	No
Census Tract (CT)	06-087-1002.00	% Population Below Poverty Line	12.56%
CT Minority Population %	38.81%	Rural Area?	No
CT Income Level	High	2024 Est. CT Median Family Income	\$176,883
CDLAC/TCAC Opportunity Area Category		Highest Resource	
CDLAC/TCAC Geographic Region		Central Coast Region: Monterey, San Luis Obispo, Santa Barbara, Santa Cruz, and Ventura Counties	
Project is located in DDA?		Yes	
Project is located in Federally-designated Qualified Census Tract (QCT) for LIHTC purposes?		No	

2	Development and Financing Team		
Developer (Sponsor): Novin Development Corporation (See Note 1)		Co-developer (if any): N/A	
☐ New to CalHFA?	Yes	☐ New to CalHFA?	select
☐ Affordable Housing/LIHTC experience?	Yes	☐ Affordable Housing/LIHTC experience?	select
☐ Has Projects in California?	Yes	☐ Has Projects in California?	select
Borrower (Legal entity): 831 Water Street LP		Co-Borrower (if any): N/A	
Construction (Senior) Lender: 1) Citibank, N.A.		Construction Subordinate Lender(s): 1) Novin Development LLC Seller Carryback Loan	
Permanent 1st lien Lender: 1) CalHFA		Permanent Subordinate Lender(s): 1) CalHFA (2 nd lien) 2) Novin Development LLC Seller Carryback Loan	
Federal LIHTC Investor: R4 Capital LLC		State LIHTC Investor: R4 Capital LLC	
☐ Tax Credit Amount	\$44,200,870	☐ Tax Credit Amount	\$11,313,927
Solar Tax Credit Investor: N/A			
☐ Tax Credit Amount	\$		
General Contractor: JH Fitzmaurice and Novin Construction Inc. (joint venture)		Management Company (Property Manager): FPI Management	
☐ Is an affiliate of Developer?	Yes	☐ Is an affiliate of Developer?	No



Experience with CalHFA?	2	Total number of properties managed in CalHFA portfolio	56
Architect: Lowney Architecture		Service Provider: Berkeley Food and Housing Project/Insight Housing	
Has worked with GC?	Yes	Required by TCAC or other Funding sources?	Yes
Has experience designing and managing similar projects?	Yes	Terms of service (on-site, number of years)	30
		Support Services Cost (per Operating budget)	3
Has housing projects in CA?	Yes	Per unit cost of services meets USRM req.?	Yes
Financial Advisor: None		Project Consultant: None	
Notes: - Novin Development Corporation is an emerging developer with which CalHFA has no experience. The principal, Iman Novin, has experience working for a large developer familiar to CalHFA. - CalHFA has prior experience with JH Fitzmaurice as a general contractor. However, this will be CalHFA's first experience with Novin Development Company ("NDC"). NDC was formed in 2013 and specializes in both affordable and middle-income housing development and preservation with 17 developments in their portfolio, including LIHTC projects. NDC meets CalHFA's development team requirements. NDC currently has 7 affordable projects in the pipeline and 1 under construction. - The Sponsor and the service provider Berkeley Food and Housing Project (BFHP)/Insight Housing are working together to secure county funding to cover the cost of services on-site. Per an MOU dated 7/8/2023 between NDC and the service provider on-site resident services coordination will be provided for all tenants, over a 30-year term.			

3	Summary of Material Changes from Initial Commitment Approval
For any changes marked ☒ please explain the changes and the impact of such changes either in CDLAC scoring, financial risk to the Agency, or any other material impact to the underwriting of the loan	
☐	Changes in Borrower/Sponsor entities including Co-developer(s), if any
☒	Changes in Other Development Team members: Construction Lender, Tax Credit Investor, General Contractor, Property Management Agent, Other lenders including subordinate lenders. See Note 1
☐	Changes in Project Scope (for example, addition of non-residential component)
☒	Changes in CalHFA loan amount (>10%) or changes in loan terms; See Note 2
☒	Changes in construction schedule and rent-up/conversion timeline See Note 3
☒	Significant changes in project capital stack impacting project viability: DSCR, exit analysis, etc. See Note 4
☐	Significant changes in Operating budget as well as rental assistance/operating subsidy assumptions
☐	Changes in CalHFA required reserves
☒	Changes in Affordability Restrictions including Unit distribution for regulated units
☒	Other material underwriting, project scope or financial structuring changes See Note 5

**Notes:**

1. The Tax credit investor changed from CREA LLC to R4 Capital; the General Contractor changed from Swinerton to a JH Fitzmaurice.
2. The CalHFA perm loan amount increased by 12% from \$32,668,423 to \$36,516,568. The Borrower requested the loan term to be changed from 40/30 to 40/17. 2025 TCAC rent increases in Santa Cruz County enabled the Project to increase its permanent loan request.
3. Due to delays collecting construction and equity commitments, the Construction schedule has been delayed to an 10/31/2025 closing.
4. Federal Tax Credit pricing decreased from \$0.90 to \$0.78 and State Tax Credit pricing decreased from \$0.87 to \$0.81. Project sources now include Income from Operations, and cost deferral.
5. The Seller Carryback Loan interest increased from 3.67% to 7.5% and the loan amount increased from \$4.5M to \$6.45M. See Section 11a for more details on Carryback Loan terms.
6. Five units that were restricted to 120% AMI were reduced to 80% AMI to make the below 10% of market rate requirement.

4	Requested CalHFA Financing for Approval		
4a	CalHFA Financing Terms		
	CalHFA 1st Lien Perm Loan	CalHFA Subordinate Loan (MIP Subsidy Loan)	Total CalHFA Financing
Loan Amount (\$)	\$36,516,568	\$4,000,000	\$40,516,568
Loan Term (Year)	17	17	17
Amort. Term (Year)	40		40
Amort. Type	Partially Amortizing	Non-amortizing	
Lien Position	1 st	2 nd	
UW Interest Rate % (See Note 1)	7.06%	3.00%	
Loan to Value (%) (See Note 2)	58%	6%	
Combined LTV (CLTV) (%) (See Note 2)			64%
Loan to Cost (%) (See Note 3)	37%	4%	41%
Loan Repayment Source	Net Operating Income (NOI)	Residual Receipts	

Notes:

1. The CalHFA underwritten interest rate includes a spread of 2.91% which was locked on 8/1/2025 for the CalHFA perm loan. A 50 bps underwriting cushion is included to account for MMD fluctuations prior to Construction Loan Close. Final CalHFA rate will be locked no more than 30 days prior to construction loan closing.
2. Maximum LTV limited to 90% and maximum CLTV limited to 120% of restricted appraised value based on an acceptable Appraisal. However, if the exit analysis requirements are not met per the Agency's underwriting standards, the CLTV shall not exceed 100%.
3. Loan to Cost, currently 37%, shall not exceed 100% of the total project development cost (see construction sources/uses for total development cost).



4b	CalHFA Loan(s) Security
Select ONE	Description
☒	The CalHFA Perm loan(s) will be secured by a first lien deed of trust (DoT) against the above-described Project site and improvements.
☒	The CalHFA Subordinate (MIP) loan will be secured by a second lien deed of trust (DoT) against the above-described Project site and improvements.
☐	The Agency shall encumber both the fee and leasehold interests in the Development as security for its deeds of trust and regulatory agreements.
☐	CalHFA loan(s) will be secured against the fee interest in the improvements and leasehold Interest in the land.
☒	Assignment of Borrower's interest in Project improvements, Project revenues and escrows
Notes: 1. The City of Santa Cruz is requiring an Affordable Housing Development Agreement (AHDA), at construction closing. The AHDA will restrict 135 units at or below 80% AMI. In exchange for these restrictions, the City will allow for increased building height, increased unit density, reduced outdoor space, and reduced setback. The AHDA is expected to be recorded in senior position to the CalHFA Regulatory Agreements and Deeds of Trust. The AHDA will not have foreclosure rights. The Density AHDA will be subject to CalHFA subordination or standstill agreements at permanent loan closing.	



5	Project Budget & Total Development Cost		
5a	Construction Financing		
Construction Lender		Citibank, N.A.	
CDLAC/CTCAC Construction Closing Deadline		October 31, 2025	
	Bond Issuance Amount		Type of Issuance
Construction Conduit Issuance Amount	\$53,900,000		Tax-Exempt
Construction Conduit Issuance Amount	\$20,862,675		Taxable
Construction Conduit Issuance Amount	\$0		T/E Recycled
Total	\$74,762,675		
	Loan Amount	UW Rate	Loan Term
Construction Loan (T/E) (Interest-only, 1 st lien during construction)	\$53,900,000	3.75%*, Variable (See Note 1)	32 months plus two 6-month extensions
Construction Loan (Taxable) (Interest-only, 1 st lien during construction)	\$20,862,675	4.25%*, Variable (See Note 2)	32 months plus two 6-month extensions
Seller Carryback Loan	\$6,450,000	7.50% simple	36 months deferred during construction. 55 years at permanent.
Notes:			
1. Construction Loan T/E is a variable rate [1-month SOFR+175 bps, Index 30-day Average SOFR]. Current as of 8/25/2025 was 4.34% and the all-in rate was 6.85%*. The loan term includes two 6-month extension at 0.25% each.			
2. Construction Loan (Taxable) is a variable rate [1-month SOFR+225 bps, Index 30-day Average SOFR]. Current as of 8/25/2025 was 4.34% and the all-in rate was 7.35%*. The loan term includes two 6-month extension at 0.25% each.			
3. Construction interest reserve may be re-sized based on the final locked rate at construction closing. Any resulting funding gaps will be covered by the Developer until permanent loan closing.			
* The Borrower purchased from the construction lender a 2% cap for \$2,017,000 resulting in lower rates (see above); this cost is included in the construction loan interest estimate in the development budget.			

5b	Construction Sources	
Construction Sources:	Amount (\$)	% of Total
Citi TE Construction Loan	\$53,900,000	54%
Citi Taxable Construction Loan	\$20,862,675	21%
Seller Carryback	\$6,450,000	7%
R4 Capital	\$4,452,493	4%
Income from Operations	\$1,593,152	2%
GP Equity	\$100	0%
Deferred Developer Fee	\$11,882,956	12%
Total Construction Sources	\$99,141,376	100%



5c	Construction Uses	
Construction Uses:	Amount	% of Total
Land and Improvement Value	\$10,450,000	10.54%
Other Acquisition Costs	\$800,000	0.81%
Construction/Rehab Costs	\$56,473,304	56.96%
Soft Costs (A&E, Legal, Title, and Other Soft Cost)	\$12,811,263	12.92%
Hard Cost contingency	\$2,824,930	2.85%
Soft Cost contingency	\$775,000	0.78%
Financing Costs (Interest Reserves, Fees, Taxes, and Insurance)	\$9,533,642	9.62%
Local Impact Fees and Permit Fees	\$1,567,105	1.58%
Deferred Developer Fee	\$0	0.00%
Cash Portion Developer Fee	3,416,922	3.45%
Other Costs (TCAC Fees, Furnishing, and Other Misc. Fees)	\$489,210	0.49%
Operating Reserves	\$0	0.00%
TOTAL CONSTRUCTION USES	\$99,141,376	

Notes:

1. CalHFA will require review and approval of independent third-party prepared plan and cost review report for project plans and specifications (plan & specs) and cost review prior to construction loan closing.
2. Construction Sources include 6 months of Construction Period NOI assuming 95% occupancy. This has been confirmed by the lease-up schedule in the Appraisal and/or Market study. The Borrower will be required to cover any shortfalls by contributing a portion of the cash Developer Fee in the event this source of funds does not materialize or if there is a funding gap.
3. Acquisition Costs included in the budget total \$11,250,000 and is in compliance with Agency's underwriting (USRM) standards.. An appraisal dated 08/27/2025 estimates the entitled land value less demolition at \$13,090,000.
4. The Seller Carry-back loan of \$6.45M is included as a source. The repayment of the Seller take-back loan is not considered separately in the Financial Analysis, as it is expected to be repaid from the Borrower's share of the 50% surplus cash.
5. The total hard cost contingency in the project is 6.08% of the Hard costs and does not include the \$1,097,183 contingency in the GC Schedule of Values (SOV). The CalHFA inspector has determined the numbers to meet the USRM requirements and project scope for completion within the stipulated budget
6. \$217,300 in remediation costs (building abatement and demolition) are included in the construction budget. See Section 9a for more detail.

5d	Third-party Plan & Cost Review Summary	
General Contractor (GC) Name:	JH Fitzmaurice	
GC Budget (per Schedule of Values)	\$56,320,602	
% of Builder overhead, profit, and general requirements (TCAC allowable 14%)	13%	



Type of Construction Contract:	GMP
GC Contract Executed? If not, provide status:	To be executed prior to construction closing
GC Hard-Cost Contingency and Sufficiency:	\$1,123,529

Notes:

- Citibank has engaged Hillman Consulting, to perform an independent third-party review of project plans and specifications (plan & specs) and cost review.
- The draft/final Plan and Cost Review report has been completed and reviewed by CalHFA Inspector. The final Plan and Cost Review and sign off by CalHFA Inspector is a condition to construction closing.
- Per the review by CalHFA inspector, the project can be completed within the indicated budget and the construction schedule.
- The project hard cost contingency in the General Contractor's Schedule of Values (SOV) as well as the project hard cost contingency included in the overall budget are sufficient per the review completed by CalHFA inspector and meets the USRM requirements for minimum contingency levels.
- The project budget includes \$273,174 in offsite infrastructure costs which includes demolition, grading and concrete. This work is included in the GC contract.
- Environmental remediation will be the abatement of lead and asbestos during demolition with a Site Management Plan; the cost is estimated at \$30,000.

5e	Permanent Sources and Uses	
Permanent Sources:	Amount (\$)	% of Total
CalHFA Permanent Loan (Loan)	\$36,516,568	36.2%
CalHFA MIP (Loan)	\$4,000,000	4.0%
Deferred Developer Fee (Developer Fee, Deferral)	\$7,651,375	7.6%
Seller Carryback (Loan)	\$6,450,000	6.4%
Income from Operations (Net Operating Income)	\$1,593,152	1.6%
GP Equity (Equity, General Partner)	\$100	0.0%
Tax Credit Equity (Equity, LIHTC Investor)	\$44,524,977	44.2%
Total Permanent Sources	\$100,736,172	100%

Permanent Uses:	Amount (\$)	% of Total
Total Loan Payoffs	\$91,490,001	90.8%
Other Acquisition Costs	\$0	0.0%
Equity	\$0	0.0%
Financing costs	\$309,195	0.3%
Soft costs	\$0	0.0%
Operating Reserves	\$1,285,601	1.3%
Cash Developer Fee paid at Perm Conversion	\$0	0.0%
Deferred Developer Fees paid from cashflow	\$7,651,375	7.6%
Total Permanent Uses	\$100,736,172	100%
Total Development Cost per unit	\$719,544	
Total Development Cost per CalHFA MIP Restricted Unit	\$724,720	

Notes (if any):



5f	Federal and State Tax Credits			
Federal LIHTC Tax Credit Investor /Syndicator	R4 Capital LLC			
State Housing Tax Credit Investor /Purchaser	R4 Capital LLC			
Other Tax Credit Investor/Purchaser				
Tax Credit Type	Tax Credits Amount (\$)	Pricing (per Credit)	Tax Credit Equity (\$)	Tax Credit Equity per CTCAC Restricted Unit (\$)
Federal Tax Credits (New Const/Rehab)	\$44,200,870	\$0.78	\$35,360,696	\$254,393
Federal Tax Credits (Acq.)	\$0		\$0	\$0
State Housing Tax Credits	\$11,313,927	\$0.81	\$9,164,281	\$65,930
<Other Tax Credits: Solar, etc.>	\$0		\$0	\$0
Total	\$55,514,797		\$44,524,977	\$320,323

Notes:

1. The Project was awarded volume cap for bonds and Federal LIHTC tax credit allocation in the CDLAC/TCAC meeting on 8/6/2024 and received extensions on 2/28/2025 and 8/5/2025.
2. The Project has been awarded State Housing Tax Credits by TCAC.

50% Aggregate Basis Test Requirements	
Accountant prepared Draft Financial Projections date	November 21,2024
Accounting firm name	Novogradac
T/E Private-Activity Bond Volume Cap Allocated	\$53,900,000
Aggregate Basis of building and land costs considered	\$103,769,225
% of Aggregate basis financed by T/E Bonds	51.94%
50% Test met per IRC Sec. 42 (h) for LIHTC?	Yes
Notes: Based on the developer's financial projections received on 9/9/2025, the current aggregate basis is 55.60%.	

5g	Developer Fee	
Developer fee category:	TCAC Maximum Limit	Actual Amount in Project Budget
Upfront Cash Developer Fee (a)	\$5,708,669	\$3,416,922
Deferred Developer Fee (DDF) paid from project cash-flow (b)		\$7,651,375
Total Developer Fee (a) + (b)	\$13,360,044	\$11,068,297
Excess Developer Fee above TCAC Maximum Limit as General Partner (GP) contribution		\$0

Notes:

1. For the Final Commitment underwriting, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Tax Credit Investor's requirements (LOI) and/or Limited Partnership Agreement (LPA).
2. Any outstanding Deferred Developer Fee remaining at Year 15, even if within TCAC Maximum Limit, will be paid from Borrower's 50% share surplus cash distribution.
3. Any outstanding Deferred Developer Fee remaining in Year 15 and above TCAC Maximum Limit will be treated as developer contribution. The Limited Partnership Agreement (LPA) and the Tax Credit Investor written approval evidencing that any outstanding deferred developer fee remaining in Year 15 will be treated as a GP contribution will be required prior to construction closing.



Note:

5h	Evidence of Cost Containment for projects seeking subsidy
Cost Containment Certification received from Developer?	Yes
Cost Containment Certification acceptable to CalHFA?	Yes
Comments on Cost Containment Strategy: The Developer certified that below cost containment measures have been implemented to minimize construction costs: 1. The project is modular, which allows for the efficient use of resources, minimal waste, and lower materials costs. Site preparation will occur as modular units are being built offsite, allowing for the building to be assembled in a few weeks instead of a few months. 2. Novin Construction Inc. and JH Fitzmaurice are joint ventures where Novin Construction Inc. will perform site preparation to reduce costs. 3. Value engineering has been engaged. An example is building the ground floor retail out of modular units instead of concrete to reduce hard costs. 4. Competitively bidding out all major subcontractor and self-performing trades. The team has begun to inform subcontractors in the local Santa Cruz area, including subcontractors completing another Novin Development consisting of a modular multifamily building in Soquel, CA. Hiring local subcontractors will lower travel costs and reduce costly and time-consuming mistakes as they will have a deep understanding of the municipality's building codes.	
Note:	

5i	Evidence of Subsidy Efficiency
Per the CalHFA Term Sheet requirement, a subsidy efficiency analysis completed at Initial Commitment, Final Commitment, prior to construction loan closing, and at closing of the CalHFA subordinate financing (perm conversion). Based on the final subsidy efficiency analysis, the CalHFA subsidy loan may be reduced prior to construction closing or perm conversion.	
Parameters of Subsidy Efficiency Analysis [Verify with the FA and check all that apply]	
☒	Year 1 DSCR is 1.20x maximum
☒	Confirmed that the on-going minimum DSCR of 1.15x through the term of the CalHFA 1 st lien permanent loan based on the Financial Analysis completed at final commitment per Agency's underwriting standards (USRM). A final check will be completed at construction closing and at perm conversion.
☒	Cash-flow after debt service is limited to (i) Higher of 25% of the anticipated annual must pay debt service payment, or (ii) 8% of gross income, during each of the first 3 years project operation
☒	Inflation factors and vacancy rates are consistent with the Agency's underwriting standards (USRM)
☒	Developer Fee requirements consistent with CalHFA underwriting standards and/or CTCAC Regulation 10327(c)2(B)
☒	Confirmed the reasonableness of the Capitalized Reserves to be consistent with Agency's underwriting standards (USRM) and the verified with the Investor Limited Partnership Agreement.
☒	State Tax Credits (STC) maximum requested amount is consistent with CTCAC Regulations 10317
☒	Confirmed that the Acquisition Cost (if applicable) is the lesser of: i. Purchase price pursuant to a current purchase and sales agreement between unrelated parties, or ii. Purchase price of an arm's length transaction executed within the past 10 years plus reasonable carrying costs, or



	iii. Appraised “as-is” value based on a current appraisal acceptable to CalHFA in its sole discretion. The appraised value of the real estate may be considered if the arm’s length transaction exceeds 10 years.
☒	The CalHFA Final Commitment Letter will have the requirement that Construction cost savings funds evidenced by the Final Cost Certification will be used to reduce the CalHFA subsidy (MIP) loan prior to CalHFA MIP loan closing.

5j	High-Cost Explanation	
Total Development Cost (TDC)		\$100,736,172
Total Units		140
TDC/Unit		\$719,544
High-Cost Explanation provided by Developer per CDLAC Regs Section 5233?		Yes
High-Cost explanation acceptable to CalHFA?		Yes
Summary of Project-specific factors contributing to high cost:		
i.	Project located in HUD high-cost designated area? See Note 1	☒
ii.	State Prevailing Wage (PW) applicable to the project? See Note 2	☒
iii.	Increase in development cost due to demolition of existing building or structures? See Note 3	☒
iv.	Increase in development cost due to high environmental remediation costs?	☐
v.	Increase in development cost due to significant off-site improvements due to site specific conditions? See Note 4	☒
vi.	Increase in development cost due to additional parking spaces or Type 1 podium garage or other commercial space requirements by City, community feedback or other? See Note 5	☒
vii.	Other atypical costs included in the development cost budget? See Note 6	☒
viii.		☐
Comments (for any ☒ response, please indicate the costs per the Development Budget line-items) 1. Site is in a high-cost DDA. The acquisition cost is \$10.45M and the permit/impact fees total \$1,530,335. 2. State Prevailing Wage is applicable to this project and adds at least \$10,650,000 to the construction budget. 3. The existing commercial structure will be demolished at an estimated cost of \$217,300 and five commercial tenants will have received relocation assistance totaling \$320K prior to construction. To date, three commercial tenants have been relocated, and the remaining 2 businesses on-site will close prior to acquisition. 4. Improvements (the addition of a right turn lane and replacement of traffic signals) to the intersection of Water and N. Branciforte to mitigate traffic concerns are estimated at \$273,174. 5. The project consists of a Type 1 podium at a cost of \$2.8M and excavation for garage at a cost of \$831K 6. A general increase in the cost of materials resulting from increased tariffs, limited labor availability in the Santa Cruz area, and a retaining wall along Water Street also contribute to the high construction cost.		



6	Affordability Requirements									
6a	CalHFA Regulatory Agreement Requirements									
The CalHFA Permanent Financing Bond Regulatory Agreement will restrict a minimum of 40% of the total units at or below 60% AMI; with 30% of the total units (42 units) at or below 60% AMI and 10% of the total units (14 units) at 50% AMI for 55 years.										
The CalHFA MIP Subsidy Regulatory Agreement will restrict 139 units between 30% and 120% of AMI for a term of 55 years.										
Number of Regulated Units and AMI Restrictions by Each Agency										
Number of Units and Percentage of AMI Rents Restricted by each Agency										
Regulating Agency	Number of Units Restricted For Each AMI Category								Total Units	Percentage
	Lien	30%	40%	50%	60%	70%	80%	120%	Regulated	Regulated
CalHFA Bond	2nd			14	42				56	40%
CalHFA MIP	3rd	14		28		14		83	139	100%
CTCAC	4th	34		25	13		63	4	139	100%
Density Bonus (Inclusionary - in perpetuity)	1st						22		22	16%
Density Bonus (55 years)	1st						113		113	81%
TOTALS		34	0	25	13	0	63	4	139	100%

Notes:

1. The CalHFA MIP Subsidy Regulatory Agreement requires 30% of total units at or below 50% of AMI. Of these, a minimum of 10% of total units (14 units) must be at or below 30% of AMI and 28 units at or below 50% AMI. An additional 10% of total units (14 units) must be restricted between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years.

2. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining 83 units will be restricted at or below 120% of AMI.

3. In addition, the City of Santa Cruz Affordable Housing Development Agreement (AHDA) will restrict 135 units at or below 80% of AMI for a term of at least 55 years pursuant to 25 CCR Section 6932 by CA HCD with adjustments for Actual Household Size.

a. Twenty-two of the units shall meet the requirements of the City’s inclusionary housing ordinance and density bonus (Santa Cruz Municipal Code Chapter 24.16, Parts One and Three), including but not limited to affordability in perpetuity. The City will monitor the inclusionary units annually.

b. The remaining 113 units shall remain affordable for 55 years.


6b Unit Distribution for each AMI category

The table below outlines the distribution of units for each unit size by AMI category.

Rent Limit Summary Table						
	Studio	1-bdrm	2-bdrm	3-bdrm	Total	% Total
30%	20	15	3	0	38	27%
50%	8	10	3	0	21	15%
60%	8	0	5	0	13	9%
80%	28	28	8	3	67	48%
Manager	0	0	2	0	2	1%
Total	64	53	21	3	141	
AMI Avg	58.1%	60.2%	62.1%	80.0%	59.93%	

Note:

- The initial rents at permanent loan closing and in subsequent years must not be less than the underwritten rent levels outlined in the "Rent Summary Table" of the Financial Analysis enclosed as part of this Staff Report.
- The CalHFA regulatory agreement(s) will require minimum underwriting rent levels as outlined above.

7 Financial Analysis
7a Market Study Summary

Market Study firm: Novogradac	Market Study Date: 2/14/24
Market Study date within 180 days?	No
Proposed Market Rents for subject property	Studio- \$2,723 1 Br- \$3,110 2 Br- \$4,381 3 Br- \$5,437 (underwritten rents are currently at least 10% below market rents).
Targeted population income range	30%-120% AMI
Absorption Period	6 months
Absorption rate	20 units per month
Project Amenities are appropriate and sufficient for market and intended tenants?	Yes
Special Needs Housing – demand/need for Special Needs population, availability of area service providers and sufficiency of on-site services at subject property	Yes
Utility allowance schedule included in market study report?	Yes

Regional Market Overview

- The Primary Market Area ("PMA") generally includes the city of Santa Cruz, as well as the communities of Twin Lakes, Live Oak, Shangri La Estates, and portions of Soquel and Capitola (population of 101, 844)



- The Secondary Market Area (“SMA”) is Santa Cruz-Watsonville Metropolitan Statistical Area (population of 268,441)
- The general population in the PMA is anticipated to increase by 0% per year and the population in the SMA will decrease by 0.1% per year.
- Unemployment in the SMA is 5.5%, which evidences a strong employment area.
- The home sales in the PMA are generally between \$489,000 and \$6,995,000.

Local Market Area Analysis

- **Supply:**
 - There are currently 13 affordable family projects (including 2 special needs projects) in the PMA and they are 100% occupied with long wait lists.
 - There are 2 affordable projects under construction.
 - There are 2 affordable projects with a total of 345 estimated units that have been proposed to the locality that have yet to start construction.
- **Demand/Absorption:**
 - The project will need to capture 4.2% of the total demand for family units in the PMA. The lease up at a rate of 20 units per month and reach full occupancy within 6 months of opening.
- **Summary:**
 - The Market Study absorption and lease-up timelines are in alignment in the Developer’s lease-up plan and operating proforma assumptions.

7b	Appraisal Summary	
Appraiser firm: CBRE Valuation & Advisory Services	Appraisal Date: 08/27/2025	
Engaged by: CITIBANK, N.A.	Reliance by CalHFA (if co-engaged): Yes	
Appraisal within 180 days of Final Commitment?	Yes	
Appraisal premise	Interest appraised	Valuation
Market Value as-is	Fee Simple	\$13,090,000
Market Value upon completion/stabilization as if unencumbered by restricted rents	Leased Fee	\$62,990,000
Market Value upon completion/stabilization as encumbered by restricted rents	Leased Fee	\$63,579,980
Land Value – net of demolition costs	Fee Simple	\$13,090,000
	Underwritten NOI	Appraisal NOI
Appraiser Firm	N/A	CBRE Valuation and Advisory Services
Appraisal Date	N/A	08/27/2025
Appraised As-is Value	N/A	\$13,090,000
Appraised Land Value	N/A	\$13,090,000
Appraised As-Completed Value (Restricted)	N/A	\$63,150,000
Appraisal Investment Value	N/A	\$112,770,000
Appraisal Cap rate	N/A	5.00%
NOI (Stabilized Year)	\$3,144,465	\$3,157,451
Appraisal Cap rate	N/A	5.00%
As-completed Restricted Value Calculated for UW NOI	\$62,889,299	\$63,579,980



1st Lien Loan	\$36,516,568	\$36,516,568
Does the Perm loan include Cash equity payment?	NO	NO
LTV	58.06%	57.43%
Max LTV allowed	90.00%	90.00%
LTV Check	OK	OK
Total CalHFA loans	\$40,516,568	\$40,516,568
CLTV calculated	64.43%	63.73%
Max CLTV allowed	120%	120%
CLTV Check		
LTV Stress Test for HUD Risk Share Underwriting Requirements		
Cap Rate Stress %	0.50%	0.50%
Cap Rate for Stress Test 1	5.50%	5.50%
1st Lien Loan	\$36,516,568	\$36,516,568
Restricted Value	\$57,172,090	\$57,799,982
LTV (Stress Test 1)	63.87%	63.18%
Total CalHFA loans	\$40,516,568	\$40,516,568
CLTV (Stress Test 1)	70.87%	70.10%
Comments:		
- The Borrower's estimated NOI of \$3,144,465 (0.004% lower than the appraisal) is comparable with the estimated NOI in the appraisal report (\$3,157,451 - Page 109), therefore the borrower's estimated NOI has been used for underwriting. - The capture rate and absorption rate are 0.8% and 8 months, respectively, and are generally consistent or more favorable than the market study. <u>Cap Rate comments:</u> The cap rate of 5% is based on the most recent information (2025 Q1) on comparable properties, which is at least 4 months old. Assuming an increase in cap rates due to current market conditions by 50 basis-points (5.50%), the LTV would be 63.18%.		

7c	Project Operating Budget Assumptions		
Total Units	140	Construction Start Date	10/31/2025
Regulated Units	139	Construction Completion Date	03/31/2028
Manager Units (Market Rate)	1	Construction Period (months)	29
Total Residential Square Feet	63,535	Lease-up Commencement Date:	3/31/2028
Avg Sq Ft/Unit	447	Lease-up Completion Date	9/30/2028
Rental Subsidies?	Yes	Lease-up Period (months)	6
No. of Units with Rental Subsidies	64	Est. Stabilization /Perm Conversion Date	10/31/2028
Rental Subsidy Contract Term (Initial)	15 Years	Lease-up Completion to Stabilization (months)	7



7d	Project Operating Cash-flow Summary				
Operating Budget and Reserve Balances					
	Year 1	Year 5	Year 10	Year 15	Terminal Year
Adjusted Gross Income	3,415,440	3,770,007	4,265,417	4,825,927	5,070,240
Other Income/Subsidies	1,085,352	1,153,094	1,243,816	1,341,760	1,383,089
Projected Vacancy and Discount Loss	246,209	268,624	299,667	334,460	349,530
Effective Gross Income (EGI)	4,254,583	4,654,477	5,209,566	5,833,227	6,103,799
Total Operating Expenses	1,110,118	1,267,516	1,496,967	1,769,080	1,891,612
Reserve For Replacement	43,750	45,526	47,849	50,289	51,300
Net Operating Income (NOI)	3,144,465	3,386,961	3,712,599	4,064,147	4,212,187
Total Debt Service & Other Payments	2,742,223	2,742,223	2,742,223	2,742,223	2,742,223
Cash Flow After Debt Service	402,242	644,739	970,376	1,321,924	1,469,964
Debt Service Coverage Ratio	1.15	1.24	1.35	1.48	1.54
Income/Expense Ratio	3.83	3.67	3.48	3.30	3.23
Less:					
LP Management Fee*	20,000	22,510	26,095	30,252	0
GP Partnership Management Fee	20,500	23,073	26,748	31,008	0
Other CalHFA approved Partnership Fee	0	0	0	0	0
Total Fees	\$40,500	\$45,583	\$52,843	\$61,260	\$ 0.00
Annual Cap Limit	\$40,500	\$45,583	\$52,843	\$61,260	\$60,979
[*Note: Any Fees above the Annual Cap to be paid from Developer Distribution % below]					
Cashflow for Distribution					
Developer Distribution %	65%	65%	65%	56%	50%
Cumulative Developer Distribution	234,881	1,557,059	4,117,258	7,651,375	9,084,062



831 Water Street 24012

Multifamily Staff Report
Version: 2024-8

Residual Receipts %	35%	35%	35%	44%	50%
Cumulative Residual Receipts Repayment	126,474	838,416	2,216,985	4,287,137	5,719,824
<u>Unpaid/Accrued CalHFA loan Balance</u>					
Perm Loan	36,346,998	35,535,696	34,141,035	32,158,022	31,147,595
MIP Loan	4,000,000	3,566,964	2,222,846	11,332	10
<u>Reserves Balances</u>					
Operating Reserve	1,285,601	1,285,601	1,285,601	1,285,601	1,285,601
Notes: None					



7e Rental Assistance and Other Subsidy				
Type of Rental Subsidy	Subsidy Administrator	Initial Term of Rental Subsidy Contract	Eligible Units	Renewal/Additional Term for Subsidy Contract
Section 8 Project-based Vouchers	Housing Authority of the County of Santa Cruz ("HACSC")	15 Years	64 See Note 1	2 Years; extension of the initial term may be pursued at any time prior to contract expiration, and HACSC will determine if the extension is appropriate to achieve long-term sustainability pursuant to HUD requirements. CalHFA will require Borrower to apply for an extension of the current HAP contract no later than twelve (12) months prior to the expiration of the initial Project Based Section 8 Voucher Contract, and if such extension is not granted, Borrower shall fund a TOR.



Notes:

1. The Project will receive a total of 64 PBVs from HACSC under the following designations
 - a. 29 will be “regular” PBV units for households on the HACSC HCV waitlist
 - b. 16 will be “Supportive Services” units that require services to be offered to all PBV-assisted families. The units will be offered to disabled households on the HACSC HCV waitlist
 - c. 15 will be VASH units
 - d. 4 will be Transition Age Youth (TAY) units for youth with disabilities experiencing homelessness. Units will be filled by Human Services Department referrals at the County of Santa Cruz
 - e. **CalHFA will require that the Borrower apply for an extension of the current HAP Contract no later than twelve (12) months prior to the expiration of the initial project Based Section 8 Voucher Contract, and if such extension is not granted, Borrower shall fund a Transition Operating Reserve (“TOR”). Therefore, a TOR will not initially be required at permanent loan closing. 16 of the voucher units will be reserved for disabled households on the HACSC Housing Choice Voucher Waiting List, 15 units will be VASH vouchers reserved for veterans, 4 units will be reserved for Transition Aged Youth, and the remaining 29 voucher units will be available for applicants on the HACSC Housing Choice Voucher Waiting List. 41 of the voucher units will be restricted at 30% AMI and 23 units will be restricted at 50% AMI.**

Other State and Local Subsidies:

N/A



7f	Reserve Requirements	
Name of Reserve	Amount	Comments
Operating Expense Reserve (OER)	\$1,285,601	Four months of operating expense will be funded at perm closing and will be held and maintained at that level for the term of the CalHFA permanent loan. The reserve will be held by CalHFA for the term of the CalHFA permanent loan and in the event the OER is drawn down during the term of the loan, the OER must be replenished over a 12-month period to the original level.
Replacement Reserves (RR)	\$0	The capitalized RR amount is not required for new construction projects.
	\$43,750 (annually)	The annual RR amount is sized based on \$313 per unit per year, escalating annually by 3%. CalHFA will hold this reserve through the term of the CalHFA loan.
Transitional Operating Reserve (TOR)	N/A	Transition Operating Reserve will not be required at permanent loan closing since the initial term of the Project Based Section 8 Voucher Contract will be 15 years with the opportunity to extend the contract at any time prior to the expiration of the contract. HACSC has provided language in its award letter that supports extensions of the contract to maintain sustainability of the Project. CalHFA will require Borrower to apply for an extension of the current HAP contract no later than twelve (12) months prior to expiration of the initial Project Based Section 8 Voucher Contract, and if such extension is not granted, Borrower shall fund a TOR. In addition, as a condition of CalHFA's approval, CalHFA will require that the local funding regulatory agreements contain provisions allowing rent increases to the maximum CTCAC rents if rental subsidies are no longer available.

7g	Exit Analysis Requirements		
Exit Year	17	Assumed Refi Year	16
Cap Rate Increase	2.00%	Interest Rate Increase	3.00%
UW Loan Amount	\$36,516,568	Max. Refi Loan Size	\$32,556,988
Appraised Value	\$63,579,980	Max LTV at Refi	55%
Unpaid Principal Balance (1 st Lien)	\$31,670,583	Unpaid Principal Balance (MIP Subsidy Loan)	\$0
Notes:			
The primary source of repayment for both the CalHFA 1st lien loan and MIP subsidy loan is refinance of the Project's first mortgage. The Exit analysis test for refinancing indicates that the Project will have the ability to fully repay the balance of the Agency's 1st lien loan and MIP Subsidy loan.			

8	Insurance Requirements
8a	Seismic Review and Earthquake Insurance



Seismic Review Required?	Yes
Earthquake Insurance Required?	No
This new construction Project will be built to State and City of Santa Cruz Building Codes; a seismic risk assessment dated July 15, 2025, was performed by Cascade Crest Consulting Engineers and the resulting Probable Maximum Loss ("PML") is 8%. Since this is less than the 20% threshold, no earthquake insurance is required.	

8b	Flood Designation and Insurance		
Flood Zone Designation:	Zone X	Flood Insurance Required?	No
The subject is located in Flood Zone X or C (area of minimum flood hazard). Zone X is the area determined to be outside the 500-year floodplain and protected by levee from 100-year floodplain; therefore, the Project will not be subject to flood insurance.			

8c	Other Insurance Requirements
N/A	

9	Third-party reports and diligence		
9a	Environmental Review Summary		
Environmental Phase I Site Assessment Firm:	Environmental Investigation Services, Inc.		
Phase I ESA Report Date:	July 10, 2023	Reliance Letter with CalHFA as relying party?	Yes
Phase II ESA Report Date:	August 18, 2025		
NEPA Review Completed?	Yes	NEPA review Date of completion:	2/20/2025
- A Phase I Environmental Site Assessment identified no evidence of Recognized Environmental Conditions (RECs) and suggested a limited soil vapor assessment prior to redevelopment. - A Phase II Limited Subsurface Investigation Report dated 8/18/25 identified the presence of benzene and ethylbenzene in soil vapor above environmental screening levels (ESLs) for residential and commercial/industrial land use and recommends a Site Management Plan (SMP) to address vapor intrusion concerns. - The development budget includes \$3,390 under A&E for the development of the SMP and \$217,300 for abatement and demolition of existing structure and site. To the extent the environmental budget is insufficient to address all the remediation or mitigation strategies, the Developer will be required to fund the expenses from their own sources.			
Other Environmental Reports			
Asbestos-containing Material (ACM) Survey Required?	No		
Date of Survey:	N/A		
Lead-Based Paint (LBP) Survey Required?	No		
Date of Survey:	N/A		
Other Environmental Reports /studies completed:	N/A		



10	Risk Identification and Mitigations
10a	Underwriting and Term Sheet Variations
Select all that applies <u>AND</u> add any other applicable deviations from USRM or Term Sheet that are not listed	
☐	i. Initial DSCR greater than 1.20x?
☐	ii. Deviation from LTV and CLTV requirements per Agency's underwriting standards
	iii. The Project's proposed operating expenses are below CTCAC minimum
☒	iv. Utility Allowance less than HUD's allowance. See Note 1
☐	v. Affordability restrictions (rent and income limits) are NOT in compliance with CalHFA Term Sheets and CalHFA Regulatory Agreement
☐	vi. Deviation in Agency's underwriting standards (USRM) requirements for CalHFA regulated unit sizes (by bedroom count) to be distributed substantially on a pro rata basis across income ranges proportionately to their availability in the development?
☐	vii. Maximum allowable rents for all restricted units is NOT in compliance with CalHFA Term Sheets
☐	viii. Variation in CalHFA Loan(s) requirements for lien position recordation per Program Term Sheets
☐	ix. Variation in CalHFA Loan(s) requirement for loan security and repayment per Agency's underwriting standards (USRM) and Program Term Sheets
☒	x. CalHFA Regulatory Agreements (MIP affordability covenants) are not recorded in senior position to all foreclosable debt.
☐	xi. Exceptions related to the Development Team experience or qualifications including deficiency in diligence obtained or lack of supporting evidence, per the requirements in the Agency's underwriting standards
☐	xii. Exceptions related to Ground Lease structure requirements not meeting the minimum: the ground lease structure is acceptable to Legal and satisfies the requirement that the first lien perm loan is secured against both fee and leasehold interests in the subject property. The ground lease term exceeds any CalHFA subsidy or perm loan term(s) by 10 years or more. The term of the ground lease is equal to or longer than the term of the CalHFA Regulatory Agreement.
☐	xiii. Failure to meet CalHFA Exit Analysis test requirements
☒	xiv. Deviation from the CalHFA Program Term Sheet requirement for surplus cash distribution allowing higher than 50% distribution to the Developer. See Note 2
☐	xv. Project-based rental subsidy contract term is less than Agency's 1 st lien perm loan and/or the proposed rental subsidy contract does not contain an automatic renewal provision.
☐	xvi. Deviation from the Agency's underwriting standards and/or CDLAC/TCAC regulations related to maximum Developer Fee including cash/upfront fee and Deferred Developer fee requirements
☐	xvii. Deviations from the Agency's underwriting standards related to Construction Cost budget concerns, contingency requirements below minimum, sources/uses imbalance, sources for environmental remediation and/or off-site improvements not identified or finalized, etc.
☐	xviii. <Other>



For any response that is ☒ checked, please explain below and discuss potential mitigation strategies:

1. Utility allowances based on a CUAC analysis completed by the California Energy Commission.
2. To pay off the DDF by Year 15, the project will need to request more than 50% distribution of surplus cash flow to be used to repay the DDF during years 1 through 15.
3. The locality is requiring the Borrower to encumber the Property by recording an Affordable Housing Development Agreement (AHDA). Prior to construction loan closing and closing of the CalHFA loans, the AHDA is subject to CalHFA review and approval in accordance with agency underwriting standards. CalHFA requires that a Standstill Agreement be executed by the locality at permanent loan closing in connection with the AHDA that includes, but is not limited to, (1) the locality's acknowledgement that the affordability restrictions are not foreclosable, and enforcement limited to specific performance or injunction; and (2) the standstill of certain reporting, penalty and other non-affordability provisions in the event the Agency acquires the Project. CalHFA requires that, prior to the closing of the construction financing, CalHFA shall receive Estoppel Certificates, in form and substance acceptable to the Agency, from the locality in connection with the standstill of the AHDA.

11	Supplementary Project Information
11a	Form of Site Control and Expiration
Current Ownership of Entity of Record:	
	Novin Development LLC
The current owner, Novin Development LLC, of the site and the Project owner, 831 Water Street LP, entered into a Purchase and Sale Agreement (PSA) dated 6/29/2022 and three amendments to extend the sale date and amend the purchase price. The fourth and most recent amendment expires 11/21/2025 and amends the purchase price from \$4.5M to \$10.45M. The current PSA is structured as \$4.5M to be paid on the Closing and the remaining amount to be paid as a seller carryback loan. The carryback loan terms include (a) a 55-year term, (b) 7.5% simple interest per annum, (and (c) remaining balance to be paid from the Borrower's share of residual receipts. The Sale will be conveyed between related parties but by way of two separate business entities, each entity wholly owned by one of the two parties. Novin Development LLC purchased the site in 2017 for \$4M. This transaction conforms to the USRM acquisition provisions because the difference between the purchase price and the appraised value is structured as a seller carryback loan.	

11b	Ground Lease (if applicable)		
Ground Lessor	N/A	Capitalized Ground Lease Payment and Source	N/A
Ground Lease Term	N/A	On-going Ground Lease Payment and Source	N/A



11c	Displacement and Relocation of existing tenants								
The Project is new construction, however, the site currently includes three parcels consisting of 5 occupied commercial spaces; 2 are owner-occupied and 3 are tenant occupied. The relocation cost is estimated to be \$320,000 and is detailed below per a Commercial Relocation Plan prepared by Autotemp in July 2023.									
<table border="1"> <tr> <td>Relocation Benefits</td><td>\$280,000</td></tr> <tr> <td>Relocation Services</td><td>\$ 24,000</td></tr> <tr> <td>Contingency</td><td>\$ 16,000</td></tr> <tr> <td>TOTAL</td><td>\$320,000</td></tr> </table>		Relocation Benefits	\$280,000	Relocation Services	\$ 24,000	Contingency	\$ 16,000	TOTAL	\$320,000
Relocation Benefits	\$280,000								
Relocation Services	\$ 24,000								
Contingency	\$ 16,000								
TOTAL	\$320,000								

11d	Net Loss of Affordable Units
The Project is a new construction project, with no related demolition of existing affordable housing, hence no existing affordable housing units will be lost nor will existing residential households be displaced as a result of this development.	

11e	Project Amenities		
<u>Project Amenities:</u>	<u>Present?</u>	<u>Unit Amenities</u>	<u>Present?</u>
Community Room	☒	Central Heating	☐
Fitness Room	☒	Central A/C	☐
Computer Room	☒	Microwave	☐
Central Laundry Facilities	☒	Washer/Dryer Hookups	☐
Resident Service Coordinator Office Space	☒	Dishwasher	☒
Secure Indoor Bike Storage	☒	Garbage Disposal	☒
Limited Garage Parking with EV Charging Stations	☒	Free Internet Service	☐
	☐	Private balconies for some units	☒
	☐		☐
	☐		☐
	☐		☐
Notes:			

11f	Legislative Districts & Local Support
Congress:	#19 Jimmy Panetta
Assembly:	#28 Gail Pellerin
State Senate	#17 John Laird
Local Support: The City of Santa Cruz responded to CalHFA's locality contribution letter on 4/12/2024 stating that while "the City is very supportive of affordable housing and has one of the highest ranked Pro-Housing Designations in the state" they have no position on the project.	

12	Development Team Experience
12a	Developer / Project Sponsor



Version 2021

Name	Experience with CalHFA	If new, describe if minimum development experience requirements are met per USRM				
Novin Development Corporation	No CalHFA projects completed in past 5 years or in the CalHFA pipeline.	See Notes below				
Developer Relationship Summary [Pipeline]						
Project Name		Project Status	Construction Loan Closing	Est. conversion	Perm Loan Amount	CalHFA Subsidy Amount
N/A						
			Grand Total			
Notes						
1. Developer has met USRM requirements (minimum 7 points under CDLAC GP category, registered and in good standing in CA, Legal Status per CDLAC, and sufficient qualifications of the development team).						

Developer Relationship Summary N/A – No Projects in CalHFA Portfolio								
Project Name	Project Status	Loan Origination Date	Loan Maturity Date	Loan Amount	UPB as of [date]	Most Recent DSCR	Most Recent Occ. (%)	Most Recent Risk Rating
N/A								
			Total					
Notes:								

12b	General Contractor
General Contractor name:	JH Fitzmaurice
Affiliated entity of the Developer/Borrower?	No
Experience with CalHFA?	Yes
The general contractor (GC) is JH Fitzmaurice, which has extensive experience in constructing similar affordable housing projects in California and is familiar with CalHFA. This is the first and only project together for the GC and the developer.	

12c	Architect and Engineering (A&E) firm
Architect name:	Lowney Architecture
Affiliated entity of the GC?	No
Affiliated entity of the Developer/Borrower?	No
Experience with CalHFA?	Yes
The architect is Lowney Architecture, which has extensive experience in designing and managing similar affordable housing projects in California through the locality's building permit process and is familiar with CalHFA.	
This is the first and only joint project for the architect and the developer.	



12d	Management Agent (Property Manager)
Name of the Firm	FPI Management
Third-party or Borrower Affiliate?	No
Management Fee (Annual fee %)	3.5% of collected rental income or \$55/unit/month
Management Fee (Other incentives)	\$350 or 5% of construction costs for coordination and completion of each interior unit renovation approved by Owner.
Total number of properties managed by the Property Manager (PM)	410 affordable properties in CA
Total number of properties managed for the Developer	5
Total number of properties the PM has in CalHFA portfolio	57
Any property management issues for CalHFA portfolio projects under the management of the Property Manager?	No issues or pending open times.
Notes:	



12e	Borrower Affiliated Entities	
Borrower Legal Entity	831 Water Street, LP	
Borrower Entity Type	A California Limited Partnership	
<u>Member</u>	<u>% interest</u>	<u>Legal Entity Name:</u>
Managing General Partner	0.001%	Community Resident Services, Inc. (CRS)
Administrative General Partner	0.009%	831 Water Street, LLC
Investor Limited Partner	99.99%	R4 Capital LLC
	100.00%	
<u>Managing General Partner</u>	Community Resident Services, Inc. (CRS)	
Type of Legal Entity	A California nonprofit public benefit corporation	
Ownership		% interest
Community Resident Services, Inc. (CRS), a California nonprofit public benefit corporation		100%
<u>Administrative General Partner</u>	831 Water Street, LLC	
Type of Legal Entity	A California limited liability Company and an affiliate of Novin Development	
Ownership		% interest
Member: Novin Development Corporation, a California limited liability company		100%
Manager: Iman Novin, President, a California corporation		
<u>Investor Limited Partner</u>	R4 Capital LLC	
Comments on Tax Credit Investor: N/A		
Comments on LPA nuances/concerns: N/A		
Notes:		

12f	Support Service Provider(s)
Name of Service Provider	Berkeley Food and Housing Project/Insight Housing
Required by TCAC or other funding sources?	Yes
Term of Services (on-site, number of years)	30
Support Services Budget included in the Operating Budget	No
Per unit cost of support services meets USRM thresholds?	Yes
The Borrower has elected to provide services to all residents through Berkeley Food and Housing Project/Insight Housing. Services to all residents include preparation for unit inspections, annual recertifications, and coordination of community meetings and resident activities. In addition, targeted services for 35 units (16 disabled, 4 TAY, and 15 VASH) tied to special needs programs will include tenant referral through Santa Cruz County coordinated entry system, assisting with grant and funding applications, complete wrap-around case management, and aiding in relationships with FPI Management.	

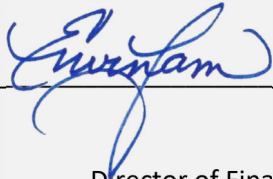


12g	Other Development Team Members (if applicable)
Name of Firm: N/A	
Role:	Financial Consultant
Experience	

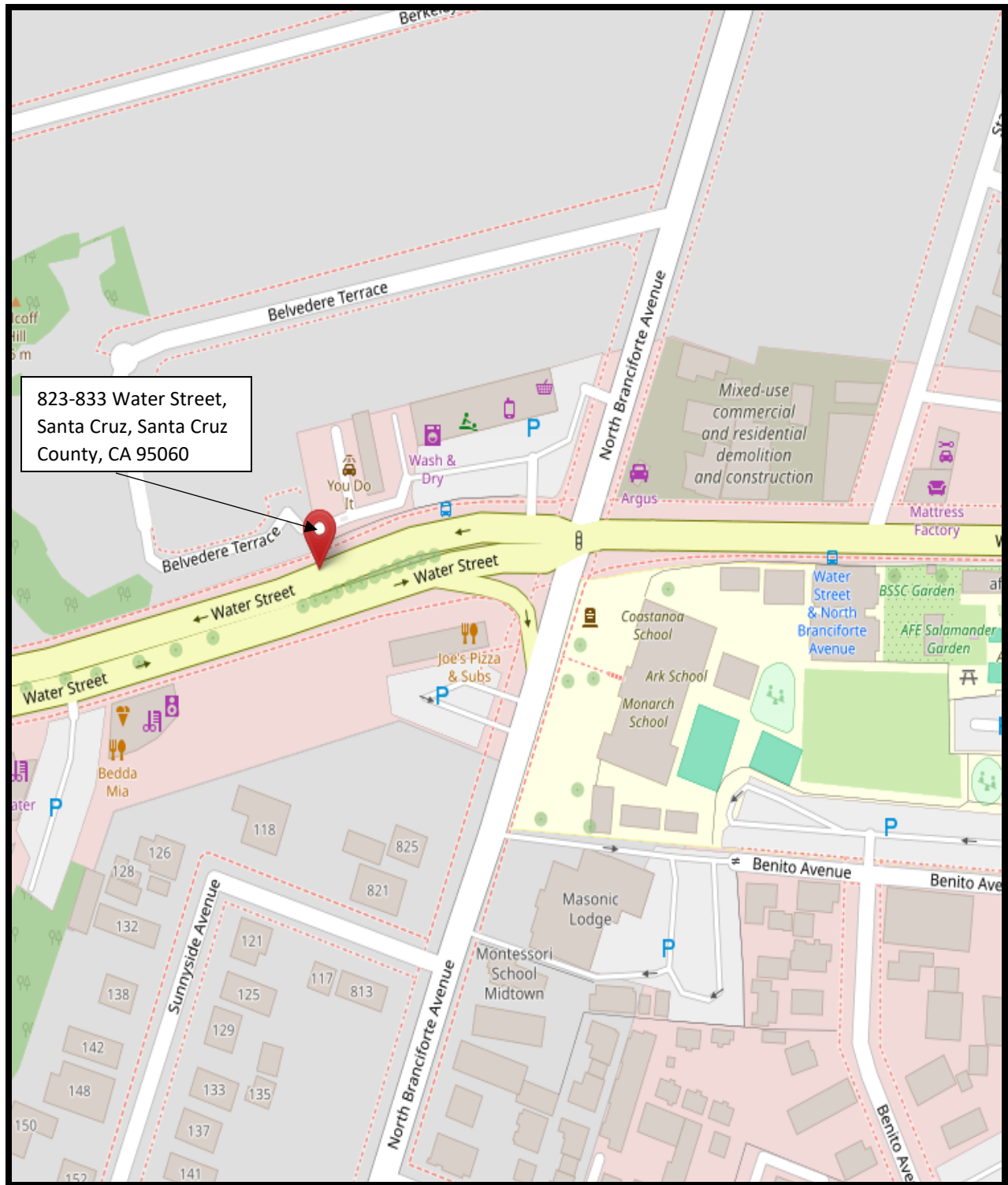
13	Conditions for Approval
Approval is conditioned upon:	
1. Subject to all MIP program requirements pursuant to applicable term sheets. 2. The CalHFA MIP loan subsidy will be, in the Agency's sole discretion, the lesser of 1) the principal amount as stated on hereto or 2) an amount as determined by the Agency in the event the financial assumptions change prior to construction loan closing and/or permanent loan closing. 3. All MIP Loan principal and interest will be due and payable at maturity. 4. No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter, per the HUD Risk Sharing program requirements. 5. CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt. 6. Funds from the CalHFA permanent loan and/or the subsidy loan shall not be used to fund or offset any portion of the commercial and offsite improvements construction costs, except to the extent such costs are attributable to improvements for the exclusive use by the tenants of the Project. 7. The Borrower will request that higher than 50% of surplus cash be available for the repayment of the deferred developer's fee (DDF) until the earlier of year 15 of operations is complete or full repayment of the DDF. Thereafter, the surplus cash split shall be 50% to Borrower and 50% to Residual Receipt lender(s). As a condition of this approval, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Limited Partnership Agreement (LPA). In addition, the owner must provide evidence of investor and all residual receipt lender(s) approvals of the total deferred developer's fee structure and residual receipt split. Residual receipt lenders must also agree to defer the payments on their loans. 8. CalHFA will require that the local funding regulatory agreements contain provisions allowing rent increases to the maximum TCAC rents if rental subsidies are no longer available. 9. The locality is requiring the Borrower to encumber the Property by recording an Affordable Housing Development Agreement (AHDA). Prior to construction loan closing and closing of the CalHFA loans, the AHDA is subject to CalHFA review and approval in accordance with agency underwriting standards. that a Standstill Agreement be executed by the locality at permanent loan closing in connection with the AHDA that includes, but is not limited to, (1) the locality's acknowledgement that the affordability restrictions are not foreclosable, and enforcement limited to specific performance or injunction; and (2) the standstill of certain reporting, penalty and other non-affordability provisions in the event the Agency acquires the Project. CalHFA requires that, prior to the closing of the construction financing, CalHFA shall receive Estoppel Certificates, in form and substance acceptable to the Agency, from the locality in connection with the standstill of the AHDA. 10. Final Site Management Plan ("SMP"), recommended by the Phase II, must be provided and approved by CalHFA prior to construction loan closing. In addition, evidence of SMP compliance must be provided and approved by CalHFA prior to permanent loan closing. 11. Receipt of a certification by the engineer on record that Project has been built to current seismic code acceptable to the Agency prior to permanent closing.	



12. CalHFA will require Borrower to apply for an extension of the current HAP contract no later than twelve (12) months prior to expiration of the initial Project Based Section 8 Voucher Contract, and if such extension is not granted, Borrower shall fund a TOR.

14	Approval Recommendation and Action
14a	Staff Recommendation and Approval Authorizing the Issuance of a Final Commitment
The Multifamily Lending Division supports approval of the described financing in the amount(s) requested, subject to the above proposed terms and conditions. The Final Commitment of the Agency is subject to all CalHFA underwriting standards, applicable Term Sheet and CalHFA regulatory requirements, and any other applicable requirements. Any material deviation from the original financing structure, project changes, underwriting assumptions, or the failure of a condition of the Final Commitment Letter, if issued, can result in the Agency's decision to not proceed with the financing of the project at any stage during underwriting and prior to the closing of the Agency's financing.	
14b	Senior Loan Committee Action
Senior Loan Committee recommends approval of the Final Commitment of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.  _____ Date: <u>9/30/2025</u> Erwin Tam Director of Financing & Senior Loan Committee Chairperson Approved by:  _____ Date: <u>9/30/2025</u> Rebecca Franklin Chief Deputy Director CalHFA Digitally signed by Rebecca Franklin DN: OU="Executive ", O=CalHFA, CN=Rebecca Franklin, E= rfranklin@calhfa.ca.gov Foxit PDF Editor Version: 2025.2.0	

**823-833 Water Street
Near**



823-833 Water Street Far

