Executive Summary	
CalHFA Project Number	25016
Project Name	Gateway Tower
Type of Development	New Construction Inner City Infill
Type of Project	Family
Total Units (MIP Restricted Units)]	220 (218 restricted)
Street Address	470 South Market Street
City, County, Zip Code	San Jose, Santa Clara, 95113
Borrower (Legal entity name)	Gateway Tower SJ, LP
Developer(s)	Core Affordable Housing, LLC
Co-Developer	N/A
Approved Conduit Issuances	
Conduit T/E Bond Issuance [CDLAC Meeting: 8/5/2025]	$61,000,000 (Assumes $55,278,188 need; includes 10% cushion and rounded up to nearest $1m)
Conduit Taxable Bond Issuance	$75,000,000 (Assumes $68,171,812 need; includes 10% cushion and rounded up to nearest $1m)
Conduit T/E Recycled Bond Volume Cap	$0
Requested CalHFA Financing for Approval	
CalHFA Tax-Exempt Permanent Loan Amount	$43,950,000 UW Rate and Loan Term: 6.73%; fixed- compounding; 1st lien; 35/30
CalHFA Taxable Permanent Loan Amount (if any)	$0 UW Rate and Loan Term: N/A
HUD Risk Sharing Requirement (1st lien loan)	Yes
CalHFA Subordinate/Subsidy Financing Type	$4,000,000 Mixed-Income Program (MIP) 2025 UW Rate and Loan Term: 3.00% simple; 2nd lien; residual receipts; due in 30 years
Key Dates and Approvals	
CDLAC Volume Cap Award Date	8/5/2025
CTCAC Tax Credit Award Date	8/5/2025
CDLAC Closing Deadline	9/21/2026
Construction Loan Closing Date [Est.]	7/24/2026
Est. CalHFA Loan Closing (perm conversion) Date	7/24/2029
Federal Tax Credits (LIHTC) Requested	Federal LIHTC Amount: $95,246,170
State Tax Credits Requested	State Tax Credit Amount: $12,695,387

Notes:

1. Project received initial CDLAC allocation of $95,423,012 on 8/5/2025. The allocation was revised on 9/12/26 to current award amount of $55,278,188.

1	Project Summary

Project Description

Gateway Tower (the "Project") is a new construction, family, mixed-income and mixed-use Project. The total development site area is 0.50 acres and is located in San Jose, Santa Clara County. The Project will consist of one 15-story elevator serviced building and 3,320 sq. ft of ground-floor commercial space. The commercial space will be part of the affordable parcel (not subdivided). There will be a direct commercial NNN lease which is a community benefit lease, and the current commercial tenant is expected to be the San Jose Jazz company who is expected to pay $1 per year to the project. There is $675,000 in the development budget to construct the commercial shell structure. Commercial income has not been used to size CalHFA's permanent debt. The Project will have total 220 residential units, of which 218 units will be restricted to between 30% and 70% of the Santa Clara County Area Median Income (AMI). There will be 33 studio units (424 sq. ft.), 100 one-bedroom units (566 sq. ft.), 77 two-bedroom units (762 sq. ft.), and 8 three-bedroom units (1,141 sq. ft.). In addition, one (1) one-bedroom units and 1 two-bedroom unit will serve as the manager's units. The Project will have 63 structured parking spaces for residential use and no spaces dedicated for commercial use.

The County will enter into a ground lease agreement with Borrower, Gateway Tower SJ, LP, for a 55-year term at a rent of $1 per annum, payable in full prior to the commencement of the lease term. CalHFA is expected to record its loan security against the leasehold interest of the land and fee interest of the improvements.

The project is of Type 1A steel frame construction on concrete slab foundation with a flat roof. In addition to CDLAC minimum design standards which include some sustainable building requirements like the use of EnergyStar appliances and installation of water efficient landscaping. Other project green design features include low flow plumbing for toilets, showers, and sinks; rainwater management; bicycle facilities; and an indoor air quality (IAQ) management plan.

The Project's financing structure includes financing from: Tax-exempt (T/E) bonds, Taxable bonds, 4% Federal Low Income Housing Tax Credit (LIHTC) equity, State Housing Tax Credit Equity, CalHFA Tax-Exempt Permanent Loan, CalHFA Subordinate financing through Mixed-Income (MIP) Subsidy Loan, a City of San Jose subordinate loan and a County of Santa Clara subordinate loan.

Inside Principal City?	Yes	Underserved or Distressed Tract?	No
Census Tract (CT)	06-085-5017.00	% Population Below Poverty Line	13.23%
CT Minority Population %	87.04%	Rural Area?	No
CT Income Level	Low	2025 Est. CT Median Family Income	$68,539
CDLAC/TCAC Opportunity Area Category		Low Resource	
CDLAC/TCAC Geographic Region		South and West Bay Region: San Mateo and Santa Clara Counties	
Project is located in DDA?		Yes	
Project is located in Federally-designated Qualified Census Tract (QCT) for LIHTC purposes?		Yes	

Legislative Districts:

- Congress: 18, Zoe Lofgren
- State Assembly: 25, Ash Karla

• State Senate: 15, Dave Cortese
Local Support: The City of San Jose Housing Department responded to CalHFA's locality contribution letter on 5/22/2025 and strongly supports the project.

2	Development and Financing Team				
Developer (Sponsor): Core Affordable Housing, LLC			**Co-developer (if any):** N/A		
	New to CalHFA?	No		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): Gateway Tower SJ, LP			**Co-Borrower (if any):** N/A		
Construction (Senior) Lender: 1) JP Morgan Chase Bank, NA			**Construction Subordinate Lender(s):** 1) City of San Jose 2) County of Santa Clara		
Permanent 1st lien Lender: 1) CalHFA			**Permanent Subordinate Lender(s):** 1) CalHFA (2nd lien) 2) City of San Jose 3) County of Santa Clara		
Federal LIHTC Investor: Enterprise Housing Credit Investments			**State LIHTC Investor:** Enterprise Housing Credit Investments		
	Tax Credit Amount	$95,246,170		Tax Credit Amount	$12,695,387
Solar Tax Credit Investor: N/A					
	Tax Credit Amount	$0			
General Contractor: CORE Builders JV			**Management Company (Property Manager):** Greystar		
	Is an affiliate of Developer?	Yes		Is an affiliate of Developer?	No
	Experience with CalHFA?	Yes		Total number of properties managed	0
Architect: DLR Group			**Service Provider:** Abode Services		
	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)	15 years on-site
				Support Services Cost (per Operating budget)	$181,838/year
	Has housing projects in CA?	Yes		Per unit cost of services meets CDLAC/TCAC req.?	Yes
Financial Advisor: N/A			**Project Consultant:** N/A		

3	Requested CalHFA Financing for Approval		
CalHFA Financing Terms			
	CalHFA 1st Lien Perm Loan	**CalHFA Subordinate Loan (MIP Subsidy Loan)**	**Total CalHFA Financing**
Loan Amount ($)	$43,950,000	$4,000,000	$47,950,000
Loan Term (Year)	30	30	30
Amort. Term (Year)	35		40
Amort. Type	Partially Amortizing	Non-amortizing	
Lien Position	1st	2nd	
UW Interest Rate % (See Note 1)	6.73%	3.00%	
Loan to Value (%) (See Note 2)	73%	6.7%	
Combined LTV (CLTV) (%) (See Note 2)			79.7%
Loan to Cost (%) (See Note 3)	22%	2%	24%
Loan Repayment Source	Net Operating Income (NOI)	Residual Receipts	

4	Project Budget & Total Development Cost
4a	Construction Financing

Construction Lender	JP Morgan Chase Bank, NA
CDLAC/CTCAC Construction Closing Deadline	9/21/2026

	Bond Issuance Amount	Type of Issuance
Construction Conduit Issuance Amount	$55,278,188	Tax-Exempt
Construction Conduit Issuance Amount	$68,171,812	Taxable
Construction Conduit Issuance Amount	$0	T/E Recycled
Total	$123,450,000	

	Loan Amount	UW Rate	Loan Term
Construction Loan (T/E) (Interest-only, 1st lien during construction)	$55,278,188	6.60%, Variable	36 months plus two conditional 6-month extensions
Construction Loan (Taxable) (Interest-only, 2nd lien during construction)	$68,171,812	6.60%, Variable	36 months plus two conditional 6-month extensions
City of San Jose 3rd lien during construction	$38,440,000	3.00%	55 years starting at perm loan conversion
County of Santa Clara 4th lien during construction	$7,390,000	3.00%	55 years starting at perm loan conversion

Notes:
1. 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.

4b	Construction Sources

Construction Sources:	Amount ($)	% of Total
(Conduit) JP Morgan Chase - TEB (Loan)	$55,278,188	29.23%
(Conduit) JP Morgan Chase - Taxable Bonds (Loan)	$68,171,812	36.05%
City of San Jose (Loan)	$38,440,000	20.33%
Deferred Costs (Cost Deferral)	$5,033,020	2.66%
Enterprise Tax Credit Equity (Equity, LIHTC Investor)	$14,077,291	7.44%
County of Santa Clara (Loan)	$7,390,000	3.91%
Contributions from Operations (Net Operating Income)	$705,301	0.37%
Total Construction Sources	$189,095,612	100%

4c	Construction Uses

Construction Uses:	Amount ($)	% of Total
Land and Improvement Value	$55	0.00%
Other Acquisition Costs	$208,445	0.11%
Construction/Rehab Costs	$144,121,269	76.22%
Soft Costs (A&E, Legal, Title, and Other Soft Cost)	$13,300,954	7.03%
Hard Cost Contingency (5.70% of Hard Costs)	$7,206,063	3.81%

Soft Cost contingency (2.24% of Soft Costs)	$1,096,575	0.58%
Financing Costs (Interest Reserves, Fees, Taxes, and Insurance)	$13,020,645	6.89%
Local Impact Fees and Permit Fees	$4,849,074	2.56%
Cash Portion Developer Fee	1,749,164	0.93%
Other Costs (TCAC Fees, Furnishing, and Other Misc. Fees)	$858,787	0.45%
Operating Reserves	$2,684,581	1.42%
Total Construction Uses	$189,095,612	100%
Total Construction Cost per unit	$859,526	
Total Construction Cost per CalHFA MIP Regulated Unit	$867,411	

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 Construction Period NOI assuming 7% occupancy between receipt of temporary certificate of occupancy to permanent loan conversion. This has been confirmed by the lease-up schedule of 7 months in the Appraisal. 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. The total hard cost contingency in the project is 5.70% of the Hard costs, which includes the contingency in the GC Schedule of Values (SOV) and is pending review by the CalHFA inspector to meet the USRM requirements and project scope for completion within the stipulated budget.
4. The total soft cost contingency in the project is 2.24% of eligible costs and has been reviewed by the Multifamily staff to meet the USRM requirements and project scope for completion within the stipulated budget.
5. Remediation costs of $574,879 related to a soil vapor system are included in the construction budget and include asbestos and lead abatement of existing buildings, storm water prevention program, present class 2 soil off haul premium, soil vapor system budget, and underground storage tank removal.
6. The project budget includes $2,367,797 in offsite infrastructure costs which includes (1) demo and site preparation; (2) roadway and paving; (3) utility infrastructure; and (4) streetscape elements.

4d Permanent Sources and Uses

Permanent Sources:	**Amount ($)**	**% of Total**
CalHFA Perm Loan (Loan)	$43,950,000	22.2%
City of San Jose (Loan)	$38,440,000	19.4%
Deferred Interest (Accrued Interest)	$2,220,112	1.1%
CalHFA MIP Loan (Loan)	$4,000,000	2.0%
Deferred Developer Fee (Developer Fee, Deferral)	$7,398,604	3.7%
County of Santa Clara (Loan)	$7,390,000	3.7%
Contributions from Operations (Net Operating Income)	$555,301	0.3%
Tax Credit Equity (Equity, LIHTC Investor)	$93,848,605	47.4%
Total Permanent Sources	$197,802,622	100%

Permanent Uses:	Amount ($)	% of Total
Total Loan Payoffs	$189,095,612	95.6%
Cash Developer Fee paid at Perm Conversion	$1,308,407	0.7%
Deferred Developer Fees paid from cashflow	$7,398,604	3.7%
Total Permanent Uses	$197,802,623	100%
Total Development Cost per unit	$899,103	
Total Development Cost per CalHFA MIP Restricted Unit	$907,351	

4e	Developer Fee	
Developer fee category:	TCAC Maximum Limit	Actual Amount in Project Budget
Upfront Cash Developer Fee (a)	$6,000,000	$3,057,570
Deferred Developer Fee (DDF) paid from project cash-flow (b)		$7,398,604
Total Developer Fee (a) + (b)	$35,087,642	$10,456,174
Excess Developer Fee above TCAC Maximum Limit as General Partner (GP) contribution		$0

Notes:

1. To ensure the deferred developer fee is repaid by year 15, the surplus cash distribution is underwritten showing 100% being applied to reducing the deferred developer fee until full repayment which is currently projected in year 11. 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.
2. 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).
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.

4f	High-Cost Explanation (TDC exceeds $650,000 per unit)	
Total Development Cost (TDC)		$197,802,622
Total Units		220
TDC/Unit		$899,103
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?	☐
ii.	State Prevailing Wage (PW) applicable to the project? (See Note 1)	☒

iii.	Increase in development cost due to demolition of existing building or structures? (See Note 2)	☒
iv.	Increase in development cost due to high environmental remediation costs? (See Note 3)	☒
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?	☐
vii.	Other atypical costs included in the development cost budget? (See Note 5)	☒

Notes:

1. Prevailing wage adds **$20,744,024** (20%-30% more than typical construction costs) to development costs.
2. Demolition of existing structures include preservation work:

Temp Braces for Existing Façade	$335,100
Existing Historic Facade Preservation - 8" Shotcrete at backside of façade	$148,280
Temp Bracing, Window & Door Openings	$39,000
Install / Remove Whalers and Deadmen for Facade Braces	$26,200
Existing Historic Facade Glazing Infill & Storefront (Allowance)	$300,000
Underpinning Existing Historic Structure Footings (Allowance)	$150,000
Exterior Facade Historic Brick Preservation (Allowance)	$100,000
Scaffolding	$49,400
Total	**$1,147,980**

3. Additional environmental costs include:

Archaeological and Historical Reporting required by CEQA and NEPA	$400,000
Soil vapor mitigation and soil removal (See Section 5c for detail)	$574,879
Title 24 sustainability/Green requirement	$248,123
Total	**$1,223,002**

4. Offsite costs include:

Demo and Site Preparation	$304,308
Roadway and Paving	$486,740
Utility Infrastructure	$1,288,900
Streetscape Elements	$287,849
Total	**$2,367,797**

5. Additional construction costs include:

City-required Fire Rescue Air Replenishment System (FARS)	$1,200,000
Structured parking (additional $100,000 per space)	$6,300,000
Total	**$7,500,000**

5	Affordability Requirements
5a	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 (66 units) at or below 60% AMI and 10% of the total units (22 units) at 50% AMI for 55 years.

The CalHFA Subsidy Regulatory Agreement will restrict 218 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%	50%	60%	70%	120%	Regulated	Regulated
CalHFA Bond	1st		22	66			88	40%
CalHFA MIP	2nd	22	44		22	130	218	100%
CTCAC	5th	120	26	48	24		218	100%
City of San Jose	3rd			194	24		218	100%
County of Santa Clara	4th	120	26	48	24		218	100%
TOTALS		120	26	48	24	0	218	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 must be at or below 30% of AMI (22 units at 30% AMI and 44 units at 50% AMI). An additional 10% of total units (22 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 130 units will be restricted at or below 120% of AMI.
3. In addition, the Project will be restricted by the following jurisdictions described below:
   a. The City will restrict 194 units at or below 60% of AMI, and 24 units at or below 70% of AMI for a term of at least 55 years. The rents for these units are based off of income limits established by Section 8 of the US Housing Act of 1937 and as published in the California Code of Regulations for each county.
   b. The County will restrict 55 units for households referred through the County's Rapid Rehousing program (RRH) with incomes at or below 30% of AMI, 65 units at or below 30% of AMI, 26 units at or below 50% of AMI, 48 units at or below 60% of AMI, and 24 units at or below 70% of AMI for the later of (a) 55 years or (b) term of the ground lease.

5b	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%	25	30	59	6	120	55%
50%	4	11	10	1	26	12%
60%	0	48	0	0	48	22%
70%	4	11	8	1	24	11%
Manager	0	1	1	0	2	1%
Total	33	101	78	8	220	
AMI Avg	37.3%	51.0%	36.8%	37.5%	43.39%	

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.
- However, per an appraisal dated 3/17/2026 in order to comply with the requirement that rents be at least 10% below market, the Project's 70% AMI studio, 1br, and 2br rents must be set below the TCAC maximum rent limits.

6	**Financial Analysis**
6a	Project Operating Budget Assumptions

Total Units	220	Construction Start Date	7/24/2026
Regulated Units	218	Construction Completion Date	9/24/2028
Manager Units (Market Rate)	2	Construction Period (months)	26
Total Residential Square Feet	142,469	Lease-up Commencement Date:	9/24/2028
Avg Sq Ft/Unit	635	Lease-up Completion Date	4/24/2029
Rental Subsidies?	Yes	Lease-up Period (months)	7
No. of Units with Rental Subsidies	65	Est. Stabilization /Perm Conversion Date	7/24/2029
Rental Subsidy Contract Term (Initial)	20 years	Lease-up Completion to Stabilization (months)	10

6b	Project Operating Cash-flow Summary				
Operating Budget and Reserve Balances					
	Year 1	Year 5	Year 10	Year 15	Terminal Year 30
Adjusted Gross Income	4,334,616	4,784,605	5,413,341	6,124,699	8,870,390
Other Income/Subsidies	1,945,488	2,065,981	2,227,211	2,401,107	3,009,262
Projected Vacancy and Discount Loss	352,392	383,271	425,918	473,573	653,097
Effective Gross Income (EGI)	5,927,712	6,467,314	7,214,634	8,052,232	11,226,555
Total Operating Expenses	2,166,458	2,469,956	2,912,091	3,436,066	5,666,569
Reserve For Replacement	77,000	80,127	84,214	88,510	102,757
Net Operating Income (NOI)	3,761,254	3,997,358	4,302,542	4,616,166	5,559,986
Total Debt Service & Other Payments	3,270,032	3,270,032	3,270,032	3,270,032	3,270,032
Cash Flow After Debt Service	491,222	727,325	1,032,510	1,346,134	2,289,953
Debt Service Coverage Ratio	1.15	1.22	1.32	1.41	1.70
Income/Expense Ratio	2.74	2.62	2.48	2.34	1.98
Less:					
LP Management Fee*	18,000	20,259	23,486	27,227	0
GP Partnership Management Fee	7,000	7,879	9,133	10,588	0
Total Fees	$25,000	$28,138	$32,619	$37,815	$0
Annual Cap Limit	$40,500	$45,583	$52,843	$61,260	N/A
[*Note: Any Fees above the Annual Cap to be paid from Developer Distribution % below]					
Cashflow for Distribution					
Developer Distribution %	100%	100%	50%	50%	50%
Cumulative Developer Distribution	466,222	2,911,187	7,305,472	10,266,662	24,164,110
Residual Receipts %	0%	0%	0%	50%	50%
Cumulative Residual Receipts Repayment	0	0	0	2,961,190	16,858,637
Unpaid/Accrued CalHFA loan Balance					
Perm Loan	43,627,990	42,100,366	39,513,239	35,894,564	13,850,863
MIP Loan	4,000,000	4,480,000	5,080,000	5,494,808	6,218,618
Reserves Balances					
Operating Reserve	2,684,581	2,684,581	2,684,581	2,684,581	2,684,581

6c	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
Project-based Vouchers (Section 8 PBV)	HUD/County/Other	20 years	65	See Note 1

Notes:

1. The Housing of Santa Clara County (SCCHA) may at its discretion extend the contract for up to an additional 20 years; determination would be made between Y18 and Y20 of the initial term. As such, a transition operating reserve will not be required.

Other State and Local Subsidies:

Other State Subsidies: N/A

Other Locality Subsidies: The Project will be funded by other locality funds which include:

1. $38,440,000, City subordinate debt to be paid from residual receipts, Construction and Permanent Loan Term Sheet dated 4/24/2026
2. $7,390,000, County of Santa Clara subordinate debt to be paid from residual receipts, Conditional Award of Funds dated 3/11/2025

6d	Exit Analysis Requirements		
Exit Year	Year 30	**Assumed Refi Year**	Year 29
Cap Rate Increase	2.00%	**Interest Rate Increase**	3.00%
UW Loan Amount	$43,950,000	**Max. Refi Loan Size**	$44,370,389
Appraised Value	$66,424,779	**Max LTV at Refi**	67%
Unpaid Principal Balance After Refi Loan (1st Lien)	($28,264,697)	**Unpaid Principal Balance After Refi Loan (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 the MIP Subsidy loan (Principal and accrued interest).

7	**Insurance Requirements**

- **Seismic Review and Earthquake Insurance:** This new construction Project will be built to State and City of San Jose Building Codes so no seismic review is required, and the project will not be subject to Earthquake Insurance.
- **Flood Designation and Insurance:** The subject is located in Flood Zone D (area of undetermined flood hazard), therefore the Project will not be subject to flood insurance.
- **Other Insurance Requirements:** N/A

8	Environmental Review

- A Phase I Environmental Site Assessment identified evidence of Recognized Environmental Conditions (RECs) which include presence of petroleum hydrocarbons in the soil, ground water and soil gas. Benzene and ethylbenzene may present a vapor risk intrusion. A subsequent Phase II report completed a subsurface investigation to collect additional confirming information. Based on the investigation, the report recommends a plan to manage, mitigate, and/or remediate the potential risks in the apparent source areas.
- Site Management Plan (SMP) prepared by AEI Consultants and dated 5/2/2025 has been conditionally accepted by the County of Santa Clara Department of Environmental Health. The City of San Jose confirms that mitigation measures have been met, including an approved SMP and Work Plan. The SMP covers risk management measures related to UST removal, soil management, soil and groundwater sampling, groundwater management, construction impact mitigation measures, unknown conditions, and vapor intrusion mitigation (VIM).
- The development budget includes an estimated amount of $574,879 which is the anticipated costs associated with addressing these environmental issues per the environmental remediation budget provided by CORE Builders JVC (GC) and its subcontractors. 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.
- The final environmental remediation plan will be subject to CalHFA's approval prior to construction loan closing and a certification/documentation that evidence all environmental issues have been addressed during construction from the County of Santa Clara Department of Environmental Health will be subject to CalHFA's approval prior to permanent loan closing.

9	Underwriting and Term Sheet Variations

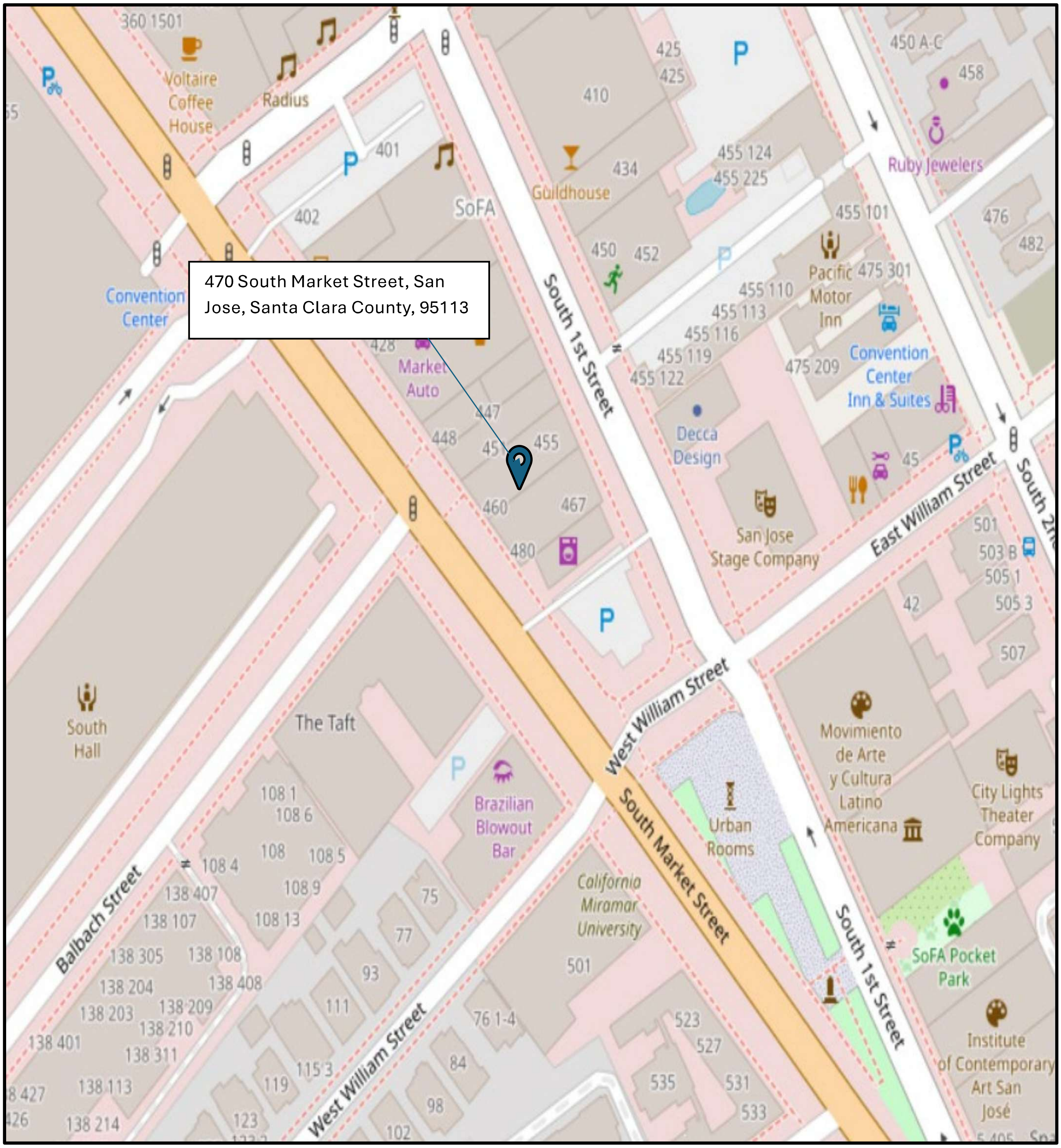
- To meet the 10% below market rent requirement, the underwriting rents for the 70% AMI studio units have been reduced to 66.8% AMI, the underwriting rents for the 70% 1-bedroom units have been reduced to 69.7% of AMI and the underwriting rents for the 70% 2-bedroom units have been reduced to 64.7% of AMI.
- The City of San Jose is requiring the Density Bonus Regulatory Agreement to be recorded in senior position to the CalHFA Deeds of Trust and Perm/MIP Regulatory Agreements. Prior to construction loan closing and closing of the CalHFA loan(s), the Density Bonus Regulatory Agreement is subject to CalHFA review and approval in accordance with agency underwriting standards. The Density Bonus Regulatory Agreement will be subject to CalHFA subordination and/or standstill requirements at permanent loan closing.
- To ensure the deferred developer fee is repaid by year 15, the surplus cash distribution is underwritten showing 100% being applied to reducing the deferred developer fee until full repayment which is currently projected in year 11. 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.

10	Approval Recommendation and Action

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.

Gateway Tower - Near



Gateway Tower - Far