

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (A) APPROVING AN ACQUISITION AND REHABILITATION LOAN COMMITMENT OF UP TO \$5,000,000 IN REAL PROPERTY TRANSFER TAX FUNDS AND INCLUSIONARY HOUSING ORDINANCE FUNDS, OR SUCH OTHER SPECIAL FUNDS AS THE CITY MAY DESIGNATE TO THE SOUTH BAY COMMUNITY LAND TRUST OR AN AFFILIATED DEVELOPMENT ENTITY FOR THE VIRGINIAN APARTMENTS DEVELOPMENT, AN EXISTING NATURALLY OCCURRING AFFORDABLE RESIDENTIAL RENTAL PROPERTY, LOCATED AT 1718, 1724, AND 1730 VIRGINIA AVENUE, WHICH IS BEING ACQUIRED AND REHABILITATED TO PRESERVE 18 AFFORDABLE HOMES; AND (B) AUTHORIZING THE HOUSING DIRECTOR, OR HIS DESIGNEE, TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS AND ALL OTHER DOCUMENTS, INCLUDING ANY AMENDMENTS THERETO, RELATED TO CITY FINANCING FOR THE VIRGINIAN APARTMENTS DEVELOPMENT

WHEREAS, Section 5.06.335 and 5.06.340 of City of San José (“City”) Municipal Code permits the Housing Director, or his designee, to negotiate, execute and enter into contracts, loan and grant documents, other affordable housing program agreements, and agreements for other grant programs administered by the Housing Department; and

WHEREAS, in October 2023, pursuant to direction included within the City’s approved 2023-2031 Housing Element, the Housing Department issued a \$5,000,000 Acquisition and Rehabilitation Notice of Funding Availability (“NOFA”) for the acquisition and rehabilitation of unsubsidized small multifamily rental properties that are currently occupied by low- and moderate- income households and conversion into deed-restricted affordable housing, which also prioritized proposals located in high-

displacement areas and locations where displacement is definitively or probably occurring for households earning up to 80% of area median income (“AMI”); and

WHEREAS, in response to the Housing Department’s NOFA, the South Bay Community Land Trust (“SBCLT”) submitted an acquisition and rehabilitation proposal to acquire, rehabilitate, and manage, in partnership with SOMOS Mayfair, an existing multifamily rental property totaling 18 affordable homes occupied by acutely low-, extremely low-, and very low-income individuals and families, built in 1962 and located at 1718, 1724, and 1730 Virginia Avenue (“Development/Virginian Apartments”); and

WHEREAS, the Development is currently fully occupied with average tenancies of over thirteen years and an average household size of four and the Housing Department has determined that the Development is operating as naturally occurring affordable housing due to its age, location, and rents affordable to low-income households, according to self-attested data showing 89% of the tenants fall within the 40% AMI affordability level, with the lowest being at 16% of AMI and with five households paying greater than 50% of their income towards rent and considered to be severely rent-burdened, which for these five households, SBCLT will lower their rental to 30% AMI and all tenants, SBCLT has committed that they will not raise their rent rates for one year; and

WHEREAS, should SBCLT receive a City funding award to move forward, rent increases in any subsequent years will be restricted to affordable rental rates in accordance with the terms of the City’s Affordability Restriction policy through an affordability restriction that will be tied to the Development for a term no shorter than 55 years; and

WHEREAS, based on recent physical and capital needs assessment reports, the Development has faced prolonged deferred maintenance which resulted in a need for substantial rehabilitation of the building facades and interior, including plumbing,

electrical wiring, and remediation for potential water damage; and

WHEREAS, established in 2019, SBCLT is a new nonprofit organization and the first nonprofit community land trust to operate in San José and has entered into a Joint Collaboration Agreement with the affordable housing developer, MidPen Housing, which has 54 years of experience in creating and managing restricted affordable homes in 45 cities throughout northern California and, to further strengthen its capacity, SBCLT has entered into a Fiscal Agent Agreement with SOMOS Mayfair, an east San José community-based nonprofit, to administer funding sources and process disbursements; and

WHEREAS, SBCLT will acquire the Development for approximately \$4,500,000 from a private seller and anticipates \$4,500,000 in Bay Area Housing Finance Authority (“BAHFA”) funds which are contingent on City approval of a City loan; and

WHEREAS, a City funding award of up to \$5,000,000 for rehabilitation, and the \$4,500,000 from BAHFA for acquisition, enables SBCLT to address immediate needs and any additional funds would support the long-term requirements of the Development; and

WHEREAS, the City’s funding in an amount of \$5,000,000, if approved, will be mainly utilized for the rehabilitation of the Development which will address immediate needs of the Development and deferred maintenance, improving the overall standard of living for the current tenants; and

WHEREAS, based upon the physical and capital needs assessment reports, the immediate and ongoing maintenance needs of the Development over the next twenty years is anticipated to cost \$4,200,000 and SBCLT has sought additional funding sources to enhance the long-term stability of the Development; and

WHEREAS, through these public-private partnerships, the Development will advance the intended outcomes of the Housing Department's release of the NOFA, with the purpose of continuing to expand the supply of affordable housing by stabilizing and preserving the long-term affordability of naturally occurring affordable housing through capital investments, stabilizing families in existing units by securing unrestricted housing, and preserving affordable units by addressing quality of life concerns; and

WHEREAS, approval of the staff recommendation will enable SBCLT to complete the financing required for the acquisition and rehabilitation of the Development, preserving 18 units of naturally occurring affordable housing as set forth in the Memorandum from the Directors of Housing and Budget Departments dated November 12, 2024;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

- A. An Acquisition and Rehabilitation loan commitment of up to \$5,000,000 in Real Property Transfer Tax Funds and Inclusionary Housing Ordinance Funds, or such other special funds as the City may designate, is hereby approved, to the South Bay Community Land Trust or an affiliated development entity for the Virginian Apartments development, an existing naturally occurring affordable residential rental property, located at 1718, 1724, and 1730 Virginia Avenue, which is being acquired and rehabilitated to preserve 18 affordable homes, as set forth in the Memorandum from the Directors of Housing and Budget Departments dated November 12, 2024.
- B. The Housing Director, or his designee, is hereby authorized, to negotiate and execute loan documents and all other documents, including any amendments thereto, related to City financing for the Virginian Apartments development.

ADOPTED this _____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk