



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Erik L. Soliván  
Jim Shannon

**SUBJECT:** See Below

**DATE:** March 16, 2026

Approved

Date:

3/19/26

**COUNCIL DISTRICT: 2**

**SUBJECT: Actions Related to the Loan Commitment for the Valley  
Transportation Authority Capitol Station Affordable Housing  
Development**

## **RECOMMENDATION**

(a) Adopt a resolution:

- (1) Approving a Construction-Permanent Loan commitment of up to \$8,400,000 in Low- and Moderate- Income Housing Asset Funds, or such other special funds as the City may designate to MidPen Housing Corporation or an affiliated development entity for the Valley Transportation Authority Capitol Station affordable housing development located on the southwest corner of West Capitol Expressway and Narvaez Avenue.
- (2) Authorizing the loan terms to allow an increase in the rents and income restrictions up to 60% of Area Median Income for new tenants in Project-Based Voucher subsidized apartments in the event of expiration or termination of Project-Based Vouchers and for all tenants in the event of foreclosure, to the extent the City has determined such increase is needed for the feasibility of the above development and allowed by other funds; and
- (3) Authorizing the Director of Housing or his designee to negotiate and execute loan documents and all other documents, including any amendments thereto, related to City financing for the Valley Transportation Authority Capitol Station multifamily affordable housing development.

(b) Adopt the following 2025-2026 Appropriation Ordinance amendments in the Low and Moderate Income Housing Asset Fund:

- (1) Decrease Housing Project Reserve by \$8,400,000; and
- (2) Increase the Housing Loans and Grants appropriation to the Housing Department by \$8,400,000.

## **SUMMARY AND OUTCOME**

City Council approval of the staff recommendation would enable MidPen Housing Corporation (MidPen Housing) or an affiliated development entity to develop the Valley Transportation Authority (VTA) Capitol Station affordable housing development (Development).

In the event of foreclosure or loss of Project-Based Vouchers, approval of staff's recommended action will also allow the developments to increase rents and income restrictions (but not to exceed 30% of 60% of area median income (AMI) to ensure the continued financial feasibility of the development. Both increases will apply to new tenants in Project-Based Voucher subsidized units in the event of expiration or termination of subsidy contracts, and for all tenants in the event of foreclosure.

## **BACKGROUND**

The Development is located within the Capitol Expressway/Highway 87 Light Rail 2040 Growth Area along the southern stretch of Capitol Expressway and will be co-located with the VTA Capitol Transit Station. Table 1 provides a detailed summary of the City's proposed funding commitment to the Development and its overall cost.

***Table 1 – Summary of City Funding and Cost for VTA Capitol Station Development***

<b>Development Name</b>	<b>City Funding Request</b>	<b>City Funding Per Unit</b>	<b>Total Units</b>	<b>Project-Based Vouchers</b>	<b>Total Development Cost</b>	<b>Cost/Unit</b>
<b>VTA Capitol Station</b>	\$8,400,000	\$41,379	203	71	\$169,591,201	\$835,425

## **ANALYSIS**

### *Development Description*

MidPen Housing, in partnership with VTA, will develop and operate the Development. It will consist of 203 homes for families (201 affordable rent-restricted homes and two

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unrestricted manager’s units will be on site), including 51 permanent supportive housing units on a 2.68-acre site. It will serve households earning 30% AMI to 60% AMI. VTA owns the parcel that will be ground-leased for 55 years to MidPen Housing or an affiliated entity.

If the staff recommendation is approved, the City of San José (City) will record a minimum 55-year affordability covenant on the property as a condition of funding. This covenant will remain senior and will not be subordinated to any deeds of trust or other instruments with a power of sale. Table 2 provides a detailed summary of the Development’s maximum income and rent limit unit mix.

**Table 2 – VTA Capitol Station Development’s Maximum Income and Rent Limit Unit Mix**

UNIT SIZE	30% AMI			40% AMI			50% AMI			60% AMI			MGR	TOTAL
	Units	Max Income	Rent Limits											
Studio	0	\$42,200	\$1,024	7	\$54,640	\$1,366	12	\$70,350	\$1,708	12	\$81,960	\$2,049	0	31
1-BD	38	\$45,200	\$1,098	10	\$58,560	\$1,464	10	\$75,375	\$1,830	10	\$87,840	\$2,196	0	68
2-BD	13	\$54,250	\$1,317	11	\$70,280	\$1,756	13	\$90,450	\$2,196	14	\$105,420	\$2,635	0	51
3-BD	6	\$62,675	\$1,523	12	\$81,200	\$2,030	23	\$104,475	\$2,538	10	\$121,800	\$3,045	2	53
<b>Total</b>	57			40			58			46			2	203

The Development will also receive a total of 71 Project-Based Vouchers from the Santa Clara Housing Authority to serve 20 lower-income households and 51 permanent supportive housing tenants that will require specialized supportive services. MidPen Housing or an affiliated entity will enter into a Housing Assistance Payment contract for these units with an initial term of 20 years, with an option to extend the contract for up to an additional 20 years. Refer to Table 3 for detailed information on the Development’s Project-Based Voucher-supported unit mix.

**Table 3 – VTA Capitol Station Development’s Project-Based Voucher Supported Unit Mix**

Unit Size	Project-Based Vouchers			TOTAL
	30% AMI	40% AMI	50% AMI	
1-BD	38	0	0	38
2-BD	13	0	0	13
3-BD	6	7	7	20
<b>TOTAL</b>	<b>57</b>	<b>7</b>	<b>7</b>	<b>71</b>

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***Financing***

In addition to the City’s funding, the Development has received a Measure A funding award from the County of Santa Clara in the amount of \$11,571,000 and a state funding award from the California Department of Housing and Community Development’s Affordable Housing and Sustainable Communities Program. The Affordable Housing and Sustainable Communities Program funding award consists of a \$35,000,000 loan and a \$14,339,431 grant. The grant will go towards transit improvements including bus passes, bike and pedestrian improvements that safely connect the community to the VTA Capitol Transit Station. Both the affordable housing and transit components will include green design features, such as energy-efficient, all electric building systems. MidPen Housing has applied for an allocation of Low-Income Housing Tax Credits and tax-exempt bonds on February 3, and allocation announcements will be made on May 12. Refer to Table 4 for greater details on the funding necessary for the Development.

**Table 4 – VTA Capitol Station Development’s Funding Sources**

<b>Construction Period Sources</b>	<b>Funding Type</b>	<b>Percentage of Funding</b>	<b>Construction Amounts</b>
Tax Exempt Construction Loan	Private	32.6%	\$53,539,297
Taxable Construction Loan	Private	48.7%	\$80,079,762
City of San José	Public	5.1%	\$7,891,942
County of Santa Clara	Public	7.0%	\$11,571,000
Bay Area Housing Finance Authority	Public	1.8%	\$3,000,000
Tax Credit Equity	Public	4.8%	\$7,861,070
<b>Total</b>			<b>\$163,943,071</b>

<b>Permanent Sources</b>	<b>Funding Type</b>	<b>Percentage of Funding</b>	<b>Permanent Amounts</b>
Conventional Permanent Loan	Private	19.6%	\$33,238,000
Affordable Housing and Sustainable Communities Program Loan	Public	20.6%	\$35,000,000
City of San José	Public	5.0%	\$8,400,000
County of Santa Clara	Public	6.8%	\$11,571,000
Bay Area Housing Finance Authority	Public	1.8%	\$3,000,000
Tax Credit Equity	Public	46.2%	\$78,382,201
<b>Total</b>			<b>\$169,591,201</b>

The City will facilitate a construction financing closing by October 2026; Development construction is estimated to begin by November 2026 and conclude approximately 24 months later.

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If the staff recommendation is approved, the Housing Director, or his designee, will negotiate additional terms and execute documents for the Development's loan in accordance with the City Council's approval using the authority delegated under Section 5.06.335 of the San José Municipal Code.

**EVALUATION AND FOLLOW-UP**

The Housing Department posts a dashboard on the status of its affordable properties undergoing rehabilitation or construction on its website. If the recommended actions in this memorandum are approved and the Development successfully closes construction financing, the Development will be included in the dashboard.

**FISCAL IMPACTS**

The recommendations in this memorandum would provide a construction-permanent loan commitment of \$8,400,000 to the MidPen Housing or an affiliated development entity for the Development. The City loan will be funded through the reallocation of funds from the Housing Project Reserve to the Housing Loans and Grants appropriation in the Low- and Moderate- Income Housing Asset Fund. The construction-permanent loan will be secured by a leasehold deed of trust and bear the interest rate of 4% simple at construction phase and 4% simple at permanent phase. The term of the construction loan is up to three years and the term of the permanent loan is 55 years. The loan will be repaid from yearly project net cash flow.

**BUDGET REFERENCE**

The table below identifies the fund and appropriations to fund the loan commitment recommended as part of this memorandum.

Fund #	Appn. #	Appropriation Name	Total Appropriation	Rec. Budget Action	Amt. for Loan	2025-2026 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
346	8437	Housing Project Reserve	\$42,630,196	(\$8,400,000)	\$0	1001	2/24/26 31314
346	0070	Housing Loans and Grants	\$83,706,265	\$8,400,000	\$8,400,000	1000	2/24/26 31312

**COORDINATION**

This memorandum has been coordinated with the City Attorney's Office.

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## **PUBLIC OUTREACH**

This memorandum will be posted on the City Council Agenda website for the April 7, 2026 City Council meeting.

## **BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT**

No board, commission, or committee recommendation or input is associated with this action.

## **CEQA**

Exempt per Public Resources Code Section 21080(b)(1) and CEQA Guidelines Section 15369, Ministerial Project pursuant to Government Code Section 65913.4, File No. ER20-109.

## **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

ERIK L. SOLIVÁN  
Housing Director



JIM SHANNON  
Budget Director

For questions, please contact Banu San, Deputy Director, Housing Department, at [Banu.San@sanjoseca.gov](mailto:Banu.San@sanjoseca.gov).