

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE ALLOWING AN EXCEPTION TO THE CITY'S POLICY FOR THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS FOR THE KELSEY AYER STATION APARTMENTS, TO PERMIT THE CALIFORNIA HOUSING FINANCE AGENCY TO ISSUE BONDS

WHEREAS, on May 4, 2021, the City Council will consider approving a financing commitment for up to \$15,925,000, including a construction-permanent loan of up to \$10,875,000 in Low and Moderate Income Housing Asset Funds ("LMIHAF") and \$5,100,000 in Inclusionary Fee Funds to The Kelsey Ayer Station, L.P., or an affiliated development entity ("The Kelsey" or "Developer") for The Kelsey Ayer Station Apartments, a new, senior affordable development to be located at 447 North First Street ("Site"), which is being developed to offer rent- and income-restricted apartments for 113 extremely low-income ("ELI"), very low-income ("VLI"), and Low-income (LI) households ("Project" or the "Development"); and

WHEREAS, the City Council's Bonds Policy, Council Policy 1-16, requires that the City be the issuer of tax-exempt private activity bonds for multifamily housing developments located within the City; however the Bonds Policy allows the City to make an exception to allow another conduit bond issuer to issue bonds if the City determines there are special circumstances applicable to the Project and the financing; and

WHEREAS, one of these exceptions, Section I.C allows the City Council to authorize an outside issuer to issue bonds for an affordable housing project within the City when there are "special circumstances" merited by the project and its financing, and in case that the City is not the issuer of bonds for the project, it is the City's policy to require the issuer to assume full responsibility for issuance and ongoing compliance of the bond issuance with federal tax and state laws; and

WHEREAS, the Development was selected by California Housing Finance Agency (“CalHFA”) Mixed-Income Program (“MIP”) to apply under the Mixed-Income funding Pool of the California Debt Limit Allocation Committee (“CDLAC”) Qualified Residential Rental Project Program (“QRRP”) for the upcoming May 2021 CDLAC Round, and as a condition of applying with CalHFA under the MIP, the Development must also be paired with CalHFA’s Conduit Bond Issuance Program and a CalHFA Mixed-Income Qualified Construction Lender; and

WHEREAS, additionally, the program must be paired with CalHFA’s Permanent Loan product, and the MIP resources will take the form of a subordinate loan to incentivize newly developed multifamily housing projects that serve a range of extremely low to moderate income renters; and

WHEREAS, allowing the Developer to use the special circumstances exemption to the City Council’s Bonds Policy will enable them to be more competitive to secure additional funding for the Development, and ensure that the Development will compete for an allocation in a separate category and thus it will not compete against other City-funded developments which may be (re)applying in the May 2021 round; and

WHEREAS, this is important given the recent challenges city funded projects have had in obtaining bond allocations needed for a 4% tax credit, and it is like this project will receive funding as a result of being considered as part of this Mixed-Income funding Pool set-aside.

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

An exception to the City's Policy for the Issuance of Multifamily Housing Revenue Bonds is allowed to permit the California Housing Finance Agency to issue private activity bonds for The Kelsey Ayer Station Apartments.

ADOPTED this _____ day of _____, 2021, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk