

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE AUTHORIZING (A) A CHANGE IN CITY LOAN TERMS TO ALLOW AN INCREASE IN THE PAGE STREET STUDIOS (“DEVELOPMENT”) RENTS AND INCOME TO INCREASE TO UP TO 60% AREA MEDIAN INCOME (LOW INCOME) FOR NEW TENANTS IN SUBSIDIZED UNITS IN THE EVENT OF EXPIRATION OR TERMINATION OF SECTION 8 SUBSIDY CONTRACTS, AND FOR ALL TENANTS IN THE EVENT OF FORECLOSURE, TO THE EXTENT THE CITY HAS DETERMINED SUCH INCREASE IS NEEDED FOR FEASIBILITY OF THE DEVELOPMENT AND ALLOWED BY OTHER FUNDS; AND (B) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS, AMENDMENTS, AND ALL OTHER DOCUMENTS RELATED TO THE ABOVE CITY LOAN TERMS

WHEREAS, in August 2020, the City of San José (“City”) and Page Street, L.P., a California limited partnership (“Borrower”), executed a term sheet setting forth the term of the City loan, including the not-to-exceed amount of \$8,611,698, funded from Low and Moderate Income Housing Asset Funds (“City Loan”) for the construction of the 82-apartment multifamily rental housing development known as the Page Street Studios, with 27 extremely low income units for households at 30% of area median income (“AMI”), 27 very low income units for households at 40% of AMI, 27 low income units for households at 50% of AMI, and 1 unrestricted Manager’s unit (the “Development”); and

WHEREAS, on November 22, 2019, the City Council held a Tax Equity and Fiscal Responsibility Act hearing regarding the issuance of tax-exempt multifamily housing revenue obligations in an amount not to exceed \$40,000,000 to finance the construction Development; and

WHEREAS, on November 15, 2019, the Borrower and the City submitted a joint application to the California Debt Allocation Committee for a private activity bond allocation in the amount of \$29,500,000; and

WHEREAS, on April 14, 2020 the Development received from the California Tax Credit Allocation Committee an allocation of federal tax credits in an amount of \$2,134,329 per year and total State Credits in the amount of \$5,700,000; and

WHEREAS, the Development will receive 27 project-based Section 8 vouchers (“PBV”) from the Housing Authority of the County of Santa Clara County that will apply to the 27 apartments restricted at 50% of AMI, and it is anticipated that the apartments will provide permanent supportive housing for incomes below 30% of the AMI; and

WHEREAS, the PBVs will have an initial term of 20 years with an additional 20-year extension; and

WHEREAS, as described in the supplemental Council memo, the construction of the Development requires the demolition of seven (7) existing residential rental units, which the reports submitted to the City indicate include a total of 13 bedrooms and that of the households for which income information was provided half were extremely low income households and half were very low income households; and

WHEREAS, since the City Loan includes Low and Moderate Income Housing Asset Funds. the City must ensure that the Development includes replacement housing restricted to households at or below the former resident income levels as required by Health and Safety Code Section 33413; and

WHEREAS, based on this information staff has concluded that the replacement housing obligation levels requires at least seven (7) of the new studios to be restricted to

extremely low income households and at least seven (7) of the new studios to be restricted to very low income households and that since the Development will provide twenty seven (27) units restricted to extremely low income households and restricted to very low income households, the Development's replacement housing obligation under Health and Safety Code Section 33413 is met; and

WHEREAS, the Borrower has requested that the City allow an increase to up to 60% of AMI in the event of expiration or termination of Section 8 subsidy contracts, and for all tenants in the event of a foreclosure, and staff believes that this is reasonable provided the City has determined the increase is needed for Development's continued financial feasibility, and that for Section 8 subsidy contract termination or expiration, the increases are limited to new tenants as set forth in the Memorandum from Housing and Finance Departments dated September 14, 2020.

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

- a. A change in City loan terms is authorized to allow an increase in the Page Street Studios development ("Development") rents and income to increase to up to 60% of Area Median Income (low income) for all new tenants in the event of expiration or termination of Section 8 subsidy contracts, and for all tenants in the event of foreclosure, to the extent the City has determined such increase is needed for feasibility of the Development and allowed by other funds.
- b. The Director of Housing is authorized to negotiate and execute loan documents, amendments, and all other documents related to above change to the City loan terms.

ADOPTED this _____ day of _____, 2020, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk