


CITY COUNCIL ACTION REQUEST

Department(s): Housing	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.	Coordination: City Attorney’s Office and the City Manager’s Budget Office	Dept. Approval: /s/ Jacky Morales-Ferrand
Council District(s): 10			CMO Approval:  01/28/21

SUBJECT: APPROVAL FOR A GRANT DEED REFLECTING A LOT LINE ADJUSTMENT FOR THE DEVELOPMENT OF AFFORDABLE HOUSING ON CITY OWNED PROPERTY LOCATED AT 5647 GALLUP AND 1171 MESA DRIVE FOR THE GALLUP-MESA DEVELOPMENT AND A CHANGE IN LOAN TERMS IN EVENT OF LOSS OF SUBSIDY OR FORECLOSURE FOR THE GALLUP-MESA DEVELOPMENT

RECOMMENDATIONS:

- (a) Approve a grant deed reflecting a lot line adjustment on City-owned property located at 5647 Gallup and 1171 Mesa Drive for the development of the Gallup-Mesa affordable housing project by Eden Housing, Inc. or its affiliate under the terms and conditions of the proposed leasehold restrictions, option and ground lease; and
- (b) Adopt a resolution authorizing the Director of Housing to negotiate and execute a change in City Loan terms for the Gallup-Mesa development in order to allow an increase in the Development’s rents and income up to 60% of the Area Median Income (or low income threshold) for new tenants in the event of the expiration or termination of subsidy contracts, and for all tenants in the event of a foreclosure, to the extent the City has determined such increase is needed for feasibility of the Development.

BASIS FOR RECOMMENDATION:

On April, 2016, the City Council authorized the Director of Housing to negotiate and execute a purchase and sale agreement to acquire adjacent properties located at 5647 Gallup Drive and 1171 Mesa Drive ("the Property") from the Successor Agency to the Redevelopment Agency ("SARA") of the City of San Jose for \$1,160,000 for a future affordable housing development. The Housing Department completed the acquisition of the Property from SARA in June 2016. On November 1, 2016, the City issued a Request for Proposal ("RFP") to select an entity to develop and operate the Property as an affordable housing project. Following the completion of the RFP selection process, Eden Housing, Inc. was selected to develop a forty-one unit apartment project to house a mix of seniors, families with foster care youth, and young adults transitioning out of foster care.

On June 2020, the City Council authorized the Director of Housing to negotiate and execute a 75-year ground lease to the borrower. The borrower would obtain control of the Site by means of a ground lease or option to ground lease. The development received its California Tax Credit Allocation Committee award on October 15, 2020 and the funding will need to be closed by April 2021.

Authorization and Execution of Lot Line Adjustment Grant Deed Needed for Development of Improvements on Ground Lease

In order to allow for the development to proceed, an adjustment to the lot line is needed to merge the two parcels of City-owned land located at 5647 Gallup and 1171 Mesa Drive. This City owned property will be leased to Eden Housing, Inc. or its affiliate for the development of the Gallup-Mesa affordable housing development. Therefore, we are requesting approval of a grant deed reflecting this lot line adjustment.

Allowance for Rents to Increase in Case of Foreclosure

The recommended revision to the affordability restriction allows for the income limits to float up. The restriction will allow an increase in the Development's rents and income up to 60% area median income (low income) for all tenants in the event of a foreclosure, to the extent the City has determined such increase is needed for continued feasibility of the Development. The affordability will not be subordinated to the senior lender. This approval enables the Development to move forward with obtaining financing from the senior lender.

Commission Recommendation/Input

This item was not heard by the Housing and Community Development Commission, as approvals of affordable development financing do not fall under the functions, powers, and duties of the Commission delineated in Section 2.08.2840 of the San José Municipal Code.

COST AND FUNDING SOURCE:

There are no cost or budgetary impacts to the recommended action described in this request.

FOR QUESTIONS CONTACT: Rachel VanderVeen, Deputy Director, (408) 535-8231