

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING A CONSTRUCTION PERMANENT LOAN COMMITMENT OF UP TO \$20,270,000, CONSISTING OF \$17,970,000 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS AND \$2,300,000 IN INCLUSIONARY FEE FUNDS, TO CORE AFFORDABLE HOUSING, LLC OR AN AFFILIATED DEVELOPMENT ENTITY FOR THE GATEWAY TOWER AFFORDABLE HOUSING DEVELOPMENT; (2) APPROVING THE LAND ACQUISITION LOAN OR ACQUISITION FUNDING COMMITMENT OF UP TO \$18,170,000 CONSISTING OF \$2,000,000 IN INCLUSIONARY FEE FUNDS, \$2,170,000 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS, AND \$14,000,000 IN REAL PROPERTY TRANSFER TAX FUNDS; (3) AUTHORIZING THE DIRECTOR OF HOUSING OR HIS DESIGNEE TO ACQUIRE 445, 465, AND 493 SOUTH FIRST STREET AND 460, 470, 480 SOUTH MARKET STREET, FROM CORE AFFORDABLE HOUSING, LLC FOR A PRICE NOT TO EXCEED \$18,170,000 AT THE TIME OF TRANSFER, TO ACCEPT THE GRANT DEED, AND TO ENTER INTO A LONG TERM GROUND LEASE OF THE SITE TO THE DEVELOPER FOR THE DEVELOPMENT; (4) AUTHORIZING THE DIRECTOR OF HOUSING OR HIS DESIGNEE TO NEGOTIATE AND EXECUTE DOCUMENTS AND DOCUMENT AMENDMENTS RELATED TO THE ACQUISITION AND DEVELOPMENT OF THE SITE, THE GROUND LEASING OF THE SITE, AND ANY RIDER TO THE GROUND LEASE REQUIRED BY GOVERNMENT ENTITIES; (5) 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 DEVELOPMENTS; (6) MAKING A DETERMINATION THAT, CONSISTENT WITH GOVERNMENT CODE SECTION 37364, AFTER ACQUISITION, THE SITE IS TO BE LEASED BY THE CITY TO THE RESPECTIVE DEVELOPERS WITHOUT FIRST OFFERING THE SITE TO THE PUBLIC FOR ANY OTHER USE, SINCE THE SITE WILL BE RESTRICTED SO AS TO PROVIDE HOUSING AFFORDABLE TO PERSONS AND FAMILIES OF LOW OR MODERATE INCOME, AS DEFINED BY SECTION 50093 OF THE HEALTH AND SAFETY CODE OR AS DEFINED BY THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OR ITS SUCCESSORS, AND THAT THIS USE IS IN THE CITY'S BEST INTERESTS

WHEREAS, Core Affordable Housing LLC or an affiliate (“Core”) proposes to manage, develop, and own the Gateway Tower new construction project located at 445, 465, and 493 South First Street and 460, 470, and 480 South Market Street (“Development”) which qualifies for the City of San José’s (“City”) Downtown High-Rise Incentive Program; and

WHEREAS, on March 17, 2025, Core applied for State of California funding, and on April 15, 2025, the California Housing Financing Agency awarded the Development funding under MIP and co-applied with Core to the California Debt Limit Allocation Committee on May 20, 2025, under the MIP set-aside; and

WHEREAS, on August 5, 2025 at the California Debt Limit Allocation Committee meeting, the Development was awarded and is projected to receive \$10,791,079 in state tax credit equity. In addition, approximately \$4.0 million in subordinate permanent financing is anticipated from the California Housing Financing Agency. The County of Santa Clara’s Office of Supportive Housing is contributing \$25,414,490 to support site acquisition and construction; and

WHEREAS, the construction of the Development is anticipated to begin in the first quarter of 2026 and provide critically needed affordable housing units in the City’s Downtown area, including a new 15-story mixed-use building with two commercial spaces; and

WHEREAS, the City’s Ground Lease Policy provides that when a development seeks acquisition funding from the City, the City will hold the fee interest in the site and enter a ground lease with the developer, ensuring long-term affordability of the site under City’s ownership; and

WHEREAS, the City will enter into a long-term, low-rent ground lease of the site to Core or an affiliated development entity for a term of no less than 55 years, with an option to extend for another 15 years; and

WHEREAS, once the Development sites are acquired by the City, they will become City property and pursuant to the Surplus Lands Act and its guidelines, the City must follow certain procedures in selling or ground leasing of City-owned property which require the offering of that property to the public, unless the sale or lease falls under an exemption; and

WHEREAS, one exception to the Surplus Lands Act and its guidelines is where the property is used to provide affordable housing to persons and families of low or moderate income as defined by Section 50093 of the Health and Safety Code or as defined by the United States Department of Housing and Urban Development or its successors; and

WHEREAS, based on the affordability requirements described above, the properties will be used to provide housing that is affordable to persons and families of low or moderate income and that this use will be in the City's best interest; and

WHEREAS, the City will place an affordability covenant on the site for a term of no shorter than 55 years, as part of the City's funding requirements and the Development would serve large families and will consist of 218 affordable units and two managers' units. The affordable unit mix is comprised of 30% area medium income (AMI) units, 50% AMI units, 60%, and 70% AMI units, and will consist primarily of one and two bedroom apartments; and

WHEREAS, 65 of the proposed 218 affordable homes will be assisted by voucher subsidies including 65 homes for extremely low-income households that will be supported by Section-8 Project Based Vouchers; and

WHEREAS, the land acquisition loan or acquisition funding commitment of up to \$18,170,000 consisting of \$2,000,000 in Inclusionary Fee Funds, \$2,170,000 in Low and Moderate Income Housing Asset Funds, and \$14,000,000 in Real Property Transfer Tax

Funds facilitates long-term ground lease structures in accordance with the City's Ground Lease Policy; and

WHEREAS, City staff is recommending these Developments for funding commitment approval, which will allow the Developers to move forward with joint Low-Income Housing Tax-Exempt Bond Allocation applications to the California Debt Limit Allocation Committee ("CDLAC") and California Tax Credit Allocation Committee ("CTCAC"); and

WHEREAS, the City would facilitate a construction financing closing around February 2026 and construction on the development is estimated to begin in and around March 2026 and conclude in early 2028;

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

- (1) The City Council hereby finds and determines that all of the foregoing recitals are true and correct.
- (2) The City Council hereby approves a Construction-Permanent Loan commitment of up to \$20,270,000, consisting of \$17,970,000 in Low- and Moderate-Income Housing Asset Funds and \$2,300,000 in Inclusionary Fee Funds, to Core Affordable Housing, LLC or an affiliated development entity for the Gateway Tower affordable housing development.
- (3) The City Council hereby approves the land acquisition loan or acquisition funding commitment of up to \$18,170,000 consisting of \$2,000,000 in Inclusionary Fee Funds, \$2,170,000 in Low- and Moderate-Income Housing Asset Funds, and \$14,000,000 in Real Property Transfer Tax Funds.
- (4) The City Council hereby authorizes the Director of Housing or their designee to acquire 445, 465, and 493 South First street and 460, 470, 480 South Market Street, from Core Affordable Housing, LLC for a price not to exceed \$18,170,000 at the time of transfer, to accept the grant deed, and to enter into a long-term ground lease of the site to the developer for the development.

- (5) The City Council hereby authorizes the Director of Housing or his designee to negotiate and execute documents and document amendments related to the acquisition and development of the site, the ground leasing of the site, and any rider to the ground lease required by government entities.
- (6) The City Council hereby authorizes 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 developments.
- (7) The City Council authorizes, consistent with Government Code Section 37364, after acquisition, the site is to be leased by the City to the respective developers without first offering the site to the public for any other use, since the site will be restricted so as to provide housing affordable to persons and families of low or moderate income, as defined by Section 50093 of the Health and Safety Code or as defined by the United States Department of Housing and Urban Development or its successors, and that this use is in the City's best interests.
- (8) The Council affirms its commitment to expanding affordable housing opportunities within the City and acknowledges the need for flexibility to allow non-profit developers to implement innovative affordable homeownership models, as consistent with the goals of California's housing laws.
- (9) This resolution shall take effect immediately upon its adoption.

ADOPTED this _____ day of _____, 2025, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk