



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

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

**SUBJECT:** See Below

**DATE:** April 21, 2025

Approved

Date

5/1/2025

**COUNCIL DISTRICT: 4**

**SUBJECT: Actions Related to a Loan Commitment for a New Affordable Rental Housing Development – Berryessa Station at 1565 Mabury Road**

## **RECOMMENDATION**

(a) Adopt a resolution:

- (1) Approving a Construction-Permanent Loan commitment of up to \$9,898,877, in accordance with all applicable City of San José Gap Financing Program Regulations, in Low- and Moderate-Income Housing Asset Funds, to Affirmed Housing Group or an affiliated development entity for the Berryessa Station development located at 1565 Mabury Road, which is being developed to provide 193 affordable apartments, and two unrestricted manager's homes; and
- (2) Authorizing the Housing Director, or his designee, to negotiate and execute loan documents and all other documents, including any amendments thereto, related to City financing for the Berryessa Station development.

(b) Adopt the following 2024-2025 Appropriation Ordinance amendments in the Low- and Moderate-Income Housing Asset Fund:

- (1) Decrease the Housing Project Reserve appropriation by \$9,898,877; and
- (2) Increase the Housing Loans and Grants appropriation to the Housing Department by \$9,898,877.

## **SUMMARY AND OUTCOME**

In response to the Housing Department's rolling Request for Proposals released on April 14, 2025, Affirmed Housing Group (Affirmed) submitted a development proposal for an affordable housing development creating a total of 193 homes for extremely low-, very low-, and low-income individuals and families and two

manager's units.

Approval of the staff recommendation would enable Affirmed to assemble the financing for the Berryessa Station affordable housing development (Development). City Council approval of the staff recommendation would also allow Affirmed to move forward with a joint application with the City of San José (City) as the issuer for tax-exempt bonds with the California Debt Limit Allocation Committee on May 20, 2025.

## **BACKGROUND**

San José needs more affordable housing. **Table 1** provides a detailed summary of the City's proposed funding commitments to the Development and the overall cost of the Development. The City's Gap Financing Program Regulations have been updated and apply to the Development.

***Table 1 – Summary of City Funding and Cost for the Berryessa Station Development***

Development Name	City Loan Request	City Subsidy Per Unit	Total Units	Placed Based Vouchers	Total Development Cost	Cost/Unit
<b>Berryessa Station</b>	\$9,898,877	\$50,763*	195	49	\$159,407,070	\$817,472

\*The Affordable Housing and Sustainable Communities award received by the Development significantly lowers the City's per-unit subsidy funding.

## **ANALYSIS**

### ***Development Description***

The Santa Clara Valley Transportation Authority owns the approximately 3.3-acre site of this development and released a Request for Proposals to develop the first development within the Berryessa/North San José Transit Center Transit Oriented Development in 2021 and awarded Affirmed in 2022. Affirmed proposed to develop on a 0.79-acre portion of the Santa Clara Valley Transportation Authority-owned site. The Development will consist of a 10-story building with nine levels of residential units over one level of parking. The building will include amenities such as on-site resident services, an outdoor terrace, a planting area, a community room, and a computer lab. If the staff recommendation is approved, the City will place an affordability covenant on the site for a term of no shorter than 55 years, as part of the requirements of the City's funding. The affordability restriction will not be subordinated to any deeds of trust or

instruments with a power of sale.

### ***Affordability Unit Mix/Area Median Income (AMI) Levels***

**Table 2** provides details of the Berryessa Station Development's unit mix and associated income and rent limits.

***Table 2 – Berryessa Station Development's Maximum Income and Rent Limit Unit Mix***

UNIT SIZE	30% AMI			50% AMI			60% AMI			MGR UNIT	TOTAL
	Units	Max Income*	Rent Limits	Units	Max Income*	Rent Limits	Units	Max Income*	Rent Limits		
<b>Studio</b>	1	\$38,730	\$968	62	\$64,550	\$1,613	0	\$77,460	\$1,936	0	<b>63</b>
<b>1-BD</b>	25	\$41,490	\$1,037	0	\$69,150	\$1,728	0	\$82,980	\$2,074	0	<b>25</b>
<b>2-BD</b>	14	\$49,770	\$1,244	1	\$82,950	\$2,073	38	\$99,540	\$2,488	1	<b>54</b>
<b>3-BD</b>	10	\$57,510	\$1,437	29	\$95,850	\$2,396	13	\$115,020	\$2,875	1	<b>53</b>
<b>Total</b>	<b>50</b>			<b>92</b>			<b>51</b>			<b>2</b>	<b>195</b>

\*Maximum rent and income limits are based on California Tax Credit Allocation Committee occupancy guidelines of 1.5 persons per bedroom.

### ***Permanent Supportive Housing Units***

Affirmed is in discussions with the Santa Clara County Housing Authority to secure 49 Project Based Vouchers to support the extremely low-income units earning less than 30% AMI. If approved, Affirmed would enter a Housing Assistance Payment Contract with the Santa Clara County Housing Authority that has an initial term of 20 years with a potential option to extend the term up to 20 additional years. Refer to **Table 3** to view the details of the Development's Project Based Voucher proposed supported unit mix.

**Table 3 – Berryessa Station Development's Project Based Voucher Supported Unit Mix**

UNIT SIZE	Permanent Supportive Housing: No Place Like Home Project Based Vouchers	Permanent Supportive Housing Project Based Vouchers	Total
	30% AMI		
Studio	0	0	0
1-BD	25	0	25
2-BD	4	10	14
3-BD	0	10	10
Total	29	20	49

**Construction-Permanent Financing**

The Development's funding sources and uses are outlined in **Table 4**.

**Table 4 – Berryessa Station Development's Funding Sources and Uses**

Construction Period Sources	Construction Period Amounts
Tax Exempt Construction Loan	81,103,146
Taxable Construction Loan	12,135,556
City of San José	9,898,877
County of Santa Clara Measure A	11,115,000
Housing Accelerator Fund	15,951,926
Federal Tax Credit Equity	22,016,278
<b>Total</b>	<b>\$152,220,783</b>

Permanent Sources	Permanent Amounts
Tax-Exempt Permanent Loan	40,001,761
California Department of Housing and Community Development's Affordable Housing and Sustainable Communities	29,000,000
City of San José	9,898,877
County of Santa Clara Measure A	11,115,000
Housing Accelerator Fund	15,951,926
Federal Tax Credit Equity	48,925,063
<b>Total</b>	<b>\$154,892,627</b>

Additionally, as a Transit-Oriented Development, the Development will provide safe and direct access to the nearby Berryessa Transit Station via dedicated bicycle and pedestrian pathways to create a transit-oriented community.

The Development was awarded a total of \$38,479,951 in State of California Affordable Housing and Sustainable Communities funds to better serve the multi-modal transportation needs of the community. Of the total Affordable Housing and Sustainable Communities awarded amount, \$29,000,000 of the funds are set aside specifically for the construction of the Development. The remaining \$9,479,951 is set aside for transportation and infrastructure improvements in the form of a grant. The Development will directly contribute to these improvements by providing transit passes for all residents, creating ample bicycle storage, and facilitating seamless connections to various forms of sustainable transportation.

### ***Next Steps***

If the allocation is received when the California Debt Limit Allocation Committee announces awards on July 29, 2025, the City will facilitate a construction financing closing by January 2026. If Affirmed is unable to obtain an allocation from the California Debt Limit Allocation Committee to close all funding gaps, it will seek an allocation in a future round at a to-be-announced date.

The Development's construction phase is estimated to be initiated by February 2026 and conclude approximately 24 months later.

If the staff recommendation is approved, the Housing Director, or his designee, would negotiate additional terms and execute documents for this 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<sup>1</sup>.

### **EVALUATION AND FOLLOW-UP**

The Housing Department produces periodic information memoranda regarding the use of the Housing Director's delegation of authority under the San José Municipal Code; therefore, final loan business terms will be summarized in those memoranda. In addition, the Housing Department posts periodic reports on the status of its affordable properties undergoing rehabilitation or construction on its website<sup>2</sup>. If the recommended actions in this memorandum are approved and the Development successfully closes construction financing, it will be included in these periodic reports.

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<sup>1</sup> Section 5.06.335 of the San José Municipal Code is the authority to negotiate and execute council-approved loans, grants, and programs.

<sup>2</sup> Housing Department affordable properties webpage, Web Link: <https://www.sanjoseca.gov/your-government/departments-offices/housing/homelessness-program-dashboard>

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**COST SUMMARY/IMPLICATIONS**

The recommendations in this memorandum would provide a construction-permanent loan commitment of \$9,898,877 to Affirmed Housing Group or an affiliated development entity for the Berryessa Station development located at 1565 Mabury Road, which is being developed to provide 193 affordable apartments and two unrestricted manager's homes. The loan will be funded by the Housing Loans and Grants appropriation in the Low and Moderate Income Housing Asset Fund.

**BUDGET REFERENCE**

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

Fund #	Appn #	Appn. Name	Total Appn	Recom. Budget Action	Amount for Loan	2024-2025 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
346	8437	Housing Project Reserve	\$21,221,550	(\$9,898,877)	N/A	981	2/11/2025 31176
346	0070	Housing Loans and Grants	\$28,526,891	\$9,898,877	\$9,898,877	980	2/11/2025 31176

**COORDINATION**

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

**PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the May 13, 2025 City Council meeting.

In addition, outreach initiatives were conducted for the Development in collaboration with the Santa Clara Valley Transportation Authority. Affirmed also conducted three community meetings for community members between 2022 and 2023.

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### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

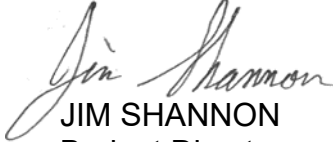
### **CEQA**

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

The principal authors of this memorandum are Michael Jun, Senior Development Officer, and Lucy Ma, Development Officer. For questions, please contact Banu San, Deputy Director, Housing Department, at [Banu.San@sanjoseca.gov](mailto:Banu.San@sanjoseca.gov).