



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Rosalynn Hughey
Rick Bruneau

SUBJECT: SEE BELOW

DATE: September 29, 2023

Approved

Date

10/2/23

COUNCIL DISTRICT: 6

SUPPLEMENTAL

SUBJECT: APPROVAL OF THE ISSUANCE OF TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS AND THE LOAN OF THE PROCEEDS THEREOF FOR THE FINANCING OF THE PARKMOOR COMMUNITY APARTMENTS AND APPROVING RELATED DOCUMENTS

REASON FOR SUPPLEMENTAL

This supplemental memorandum provides disclosure of items that have surfaced since the submittal of the original memorandum, including a disclosure of variance from the Underwriting Guidelines and Standard Procedures. Additionally, this supplemental memorandum provides an update regarding the commitments for Rounds 1 and 2 of the 2021 Notice of Funding Availability (NOFA).

BACKGROUND

Abode Housing Development is proposing to develop, own, and manage a new mixed-use 81-unit affordable housing development on a 1.62-acre site located at 1510-1540 Parkmoor Ave. After construction of the development is complete, estimated in May 2024, financing will convert from construction financing to permanent financing. Abode Housing Development is working with Fannie Mae as the senior permanent financing lender. During the process of underwriting, the City's loan and the senior financing terms are being agreed to that deviate from the City's Underwriting Guidelines¹. Fannie Mae is a quasi-governmental lender and as such may require more restrictions on the City's funding related documents than a traditional

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City of San Jose Multifamily Underwriting and Compliance Manual:
<https://www.sanjoseca.gov/home/showpublisheddocument/40681/637527183320870000>

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commercial lender. Fannie Mae has previously accepted a standstill agreement in lieu of subordination on refinances with the City and also on the City's leasehold affordability restriction for this deal. However, Fannie Mae did not agree that those previously negotiated agreements applied to the Bond Regulatory Agreement on a new construction deal and are requiring a rider to the Bond Regulatory Agreement. In effect, the rider will subordinate the City's Bond Regulatory Agreement to the Fannie Mae deed of trust.

ANALYSIS

City staff are actively working with Abode Housing Development to finalize the bond documents related to the Parkmoor Affordable Housing Development. During this process, the City learned that the permanent lender, Fannie Mae, requires a rider agreement to the Bond Regulatory Agreement which subordinates the agreement to the senior lender deed of trust.

Variance from the Underwriting Guidelines and Standard Procedures

Fannie Mae requires a rider agreement to the Bond Regulatory Agreement that deviates from the City's Underwriting Guidelines and Standard Procedures. The rider agreement requires the Bond Regulatory Agreement be subordinate to the senior lender's deed of trust. Fannie Mae has agreed this will not affect the City's rights to prepay the outstanding bond fees at redemption. The City will also retain its rights to receive a no adverse effect opinion, and to require assignment and assumption upon transfer by the borrower. Therefore, City staff will proceed to negotiate and execute a rider to the Bond Regulatory Agreement with Fannie Mae.

Rounds 1 and 2 of the 2021 NOFA

City staff have updated the 2021 NOFA pipeline report to include the 11 NOFA-awarded developments in the **Attachment**. These eleven developments will offer 1,211 homes, comprising 535 two- and three-bedroom units, to approximately 2,000 people within the next two to three years.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

/s/
RICK BRUNEAU
Director of Finance

/s/
ROSALYNN HUGHEY
Deputy City Manager and
Acting Housing Director

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The principal author of this memorandum is Shelsy Bass, Senior Development Officer. For questions, please contact Qianyu Sun, Deputy Director of Finance – Debt & Treasury Management, at Qianyu.Sun@sanjoseca.gov or Ragan Henninger, Deputy Director, Housing Department, at ragan.henninger@sanjoseca.gov.

ATTACHMENT: Updated 2021 NOFA Pipeline Report

ATTACHMENT– Updated 2021 NOFA Pipeline Report

June 2021 Round 1 Original NOFA	\$75,000,000
Total NOFA Applicant Request	\$20,000,000
Dec 2021 Round 2 Original NOFA	\$150,000,000
Total NOFA Applicant Request	\$237,376,951
Original Total Dec 2021 NOFA Award	\$145,101,951
YTD Original NOFA requests	\$82,300,885
YTD Council Approved NOFA requests	\$110,802,826
YTD Council Approved NOFA Increase Total	\$28,501,941
% Increase	35%

2021 Round 1 & 2 NOFA PIPELINE REPORT

City Council Approved Commitments								
Project Name	District #	Total # of Units	Original NOFA Funds Requested	Updated Amount of NOFA Funds Requested	Increase in NOFA request	Total Development Cost	Per Unit Cost	Project Stage
Parkmoor Community Apartments	6	81	\$10,175,000	\$16,826,688	\$6,651,688	\$77,510,305	\$956,917	Construction to start by end of Dec 2023
Dry Creek Crossing	9	64	\$9,450,000	\$14,650,000	\$5,200,000	\$61,630,513	\$962,977	Construction to start by end of Dec 2023
777 W San Carlos	6	154	\$19,125,000	\$22,247,500	\$3,122,500	\$138,030,091	\$896,299	Constructed began July 2023
1860 Alum Rock Multifamily	5	60	\$7,500,000	\$8,087,753	\$587,753	\$58,879,963	\$981,333	Constructed began July 2023
Tamien Station	3	135	\$14,125,000	\$17,250,000	\$3,125,000	\$133,192,614	\$986,612	Constructed began July 2023
The Charles (551 Keyes)	3	99	\$9,675,885	\$9,675,885	\$0	\$88,453,887	\$893,474	Constructed began July 2023
797 Almaden	3	99	\$12,250,000	\$24,940,000	\$12,690,000	\$110,380,539	\$1,114,955	CDLAC application 2024
SUBTOTAL		692	\$82,300,885	\$113,677,826	\$31,376,941			

Conditional Commitments - Awaiting Council approval								
Project Name	District #	Total # of Units	Original NOFA Funds Requested	Updated Amount of NOFA Funds Requested	Increase in NOFA request	Total Development Cost	Per Unit Cost	Project Stage
525 N Capitol	5	160	\$15,000,000	\$27,800,000	\$5,000,000	\$115,288,702	\$720,554	Projected Increase. CDLAC application 2024
VTA 605 Blossom Hill	10	89	\$10,875,000	\$17,675,000	\$6,800,000	\$71,483,828	\$803,189	Projected Increase. CDLAC application 2024
2080 Almaden Apartments	6	80	\$9,750,000	\$18,750,000	\$9,000,000	\$55,619,833	\$695,248	Projected Increase. CDLAC application 2024
Kooser Apts	9	190	\$19,251,066	\$29,251,066	\$10,000,000	\$131,064,204	\$689,812	Projected Increase. CDLAC application 2024
SUBTOTAL		519	\$54,876,066	\$93,476,066	\$30,800,000			

NOFA Award Returned								
Project Name	District #	Total # of Units	Original NOFA Funds Requested	Updated Amount of NOFA Funds Requested	Increase in NOFA request	Total Development Cost	Per Unit Cost	Project Stage
2350 S Bascom	9	123	\$12,300,000	\$0	\$0	\$89,735,520	\$729,557	Returned City NOFA Award. City funds reallocated. Outside bond issuance with California Municipal Finance Authority, construction to be completed 12/2024
Dupont	3	141	\$17,375,000	\$0	\$0	\$62,345,612	\$442,167	Returned City award and CDLAC allocation. City award reallocated.
McEvoy	3	224	\$20,000,000	\$0	\$0	\$117,600,000	\$525,000	Returned City award and CDLAC allocation. City award reallocated.
SUBTOTAL		488	\$49,675,000	\$0	\$0			