

RESOLUTION NO. _____

ADOPT A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) AUTHORIZING THE HOUSING DIRECTOR, OR HIS DESIGNEE, TO NEGOTIATE AND EXECUTE ONE OR MORE MASTER-LEASE AGREEMENTS, OCCUPANCY AGREEMENTS, OR SIMILAR INSTRUMENTS WITH ASJ DEVELOPMENT, LLC, OR A RELATED OR AFFILIATED ENTITY, FOR THE LEASE OF APPROXIMATELY 197 UNITS LOCATED AT THE CORNER OF REED STREET AND MARKET STREET FOR AN INITIAL TERM OF FIVE YEARS, WITH TWO FIVE-YEAR OPTIONS, IN AN AGGREGATE AMOUNT UP TO AND NOT TO EXCEED \$11,209,804, FOR THE PURPOSE OF IMPLEMENTING THE LOWER INCOME VOUCHER AND EQUITY PROGRAM; AND (2) AUTHORIZING THE HOUSING DIRECTOR, OR HIS DESIGNEE, TO NEGOTIATE AND EXECUTE ALL AGREEMENTS, AMENDMENTS, MODIFICATIONS, INSTRUMENTS, AND ALL OTHER DOCUMENTS NECESSARY TO EFFECTUATE THE MASTER LEASING OR SIMILAR ARRANGEMENT, LOWER INCOME VOUCHER AND EQUITY PROGRAM, AND ANY RELATED EQUITY PARTICIPATION, FINANCING, OR OPERATIONAL STRUCTURE FOR ASJ DEVELOPMENT, LLC

WHEREAS, the City of San José (“City”) City Council desires to adopt this resolution for the reasons set forth in the memorandum, dated February 11, 2026, from the Housing Director for the February 24, 2026 City Council meeting; and

WHEREAS, ASJ Development, LLC, a subsidiary holding company of Westbank, or a related or affiliated entity, has proposed a partnership with the City to stabilize the property located at Reed Street and Market Street, a 336-unit residential building in downtown San José experiencing high vacancy rates, through a master-leasing structure combined with an equity participation model; and

WHEREAS, the Housing Department proposes implementation of the Lower Income and Voucher Equity Program (“LIVE”), a pilot program designed to provide income-restricted rental opportunities for households earning between 80% and 110% of Area Median Income, with a preference for public employees, while preserving existing housing stock; and

WHEREAS, under the proposed program, the City would enter into one or more master-lease agreements, or similar instrument or instruments, for approximately 197 one- and two-bedroom units for an initial term of five years, with two additional five-year options. The first five-year extension will automatically take effect unless the parties mutually agree otherwise, a structure intended to support financing stability. The second five-year extension will be subject to mutual agreement of the parties and would provide an opportunity to align the term of the agreement with asset valuation and the timing of the City’s potential exit, including repayment of the City’s investment plus interest; and

WHEREAS, under the proposed financial terms, the City will contribute an aggregate amount not to exceed \$11,209,804 over the initial five-year period, representing the difference between rent paid by the City to the owner and the income-restricted rents collected from participating tenants. This funding would pay out monthly based on actual leased units and household subsidy levels, limiting exposure to the City while ensuring revenue stability for the property during this pilot program. In return for providing the operating subsidy, the program anticipates that the City would receive an equity payout equaling the return of the City’s investment plus interest as consideration for piloting the program; and

WHEREAS, monthly per unit contract rent would be calculated on a per-square-foot basis vouchered to buy-down to affordable rent levels for 80% AMI households up to 110% AMI households. Annual rent escalations would be limited to the lesser of 3% or Consumer Price Index after an initial flat period and will gradually scale up to market rate

rents over 10 years to eventually return the asset to a market-rate building and exit the asset ownership structure; and

WHEREAS, the master-lease and voucher structure would allow the City to buy down rents to affordable levels, stabilize a distressed downtown asset, and recover the City's investment, plus interest, through equity participation upon exit from the ownership structure, while preserving much needed housing stock in the downtown area;

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

1. The Housing Director, or his designee, is authorized to negotiate and execute one or more master-lease agreements, occupancy agreements, or similar instruments with ASJ Development, LLC, or a related or affiliated entity, for approximately 197 units located at the corner of Reed Street and Market Street, for an initial term of five years with two five-year options, in an aggregate amount not to exceed \$11,209,804, to implement the Lower Income and Voucher Equity Program.

2. The Housing Director, or his designee, is further authorized to negotiate and execute all agreements, amendments, modifications, instruments, and documents necessary to effectuate the master-leasing arrangement, the Lower Income and Voucher Equity Program, and any related equity participation, financing, or operational structure for ASJ Development, LLC.

ADOPTED this _____ day of _____, 2026, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk