



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: See Below

DATE: November 24, 2025

Approved

Date:

12/3/25

COUNCIL DISTRICT: 3

SUBJECT: Actions Related to the Reallocation of Acquisition Funding to the Construction-Permanent Loan for the Gateway Tower Affordable Housing Development

RECOMMENDATION

- (a) Accept the staff report on reallocation of the Gateway Tower loan commitment.
- (b) Adopt a resolution authorizing the reallocation of acquisition funding to the construction-permanent loan to \$38,440,000.

SUMMARY AND OUTCOME

City Council approval of the staff recommendation would enable Core Affordable Housing, LLC, or an affiliated development entity to develop the Gateway Tower affordable housing development (Development) located at 445, 465, and 493 South First Street and 460, 470, 480 South Market Street, which would provide 218 affordable rent-restricted apartments and two unrestricted manager's units.

BACKGROUND

On September 30, 2025, City Council approved funding commitments for the Development, including a \$20,270,000 construction-permanent loan and \$18,170,000 for site acquisition (land purchase). The total approval amount was for \$38,440,000 of City funds for the site.

ANALYSIS***Updates to City Funding Commitment***

After further discussions with the County of Santa Clara, the City and the County of Santa Clara have determined that due to an existing County of Santa Clara option to purchase the Development site, the County of Santa Clara will move forward with the acquisition and ground lease of the site without incurring the administrative burden of transferring the purchase option to the City. As a result, staff recommends reallocating the previously approved City funds by City Council from acquisition to the construction-permanent loan, resulting in the City receiving a higher loan repayment in residual receipts from the project. This staff recommendation does not change the total City funding commitment of these already approved funds.

The Housing Department recommends the following changes in the use of City funds, shown in Table 1 (previously approved) and Table 2 (proposed reallocation) below. If the staff recommendation is approved, the total City funding commitment to the Development would remain at \$38,440,000

Table 1 – City Funding Commitments Approved on September 30, 2025

	Low- and Moderate-Income Housing Asset Fund	Real Property Transfer Tax (Measure E) Fund	Inclusionary Fee Fund	Total
Construction-Permanent Loan	\$17,970,000	\$-	\$2,300,000	\$20,270,000
Land Purchase	\$2,170,000	\$14,000,000	\$2,000,000	\$18,170,000
Total	\$20,140,000	\$14,000,000	\$4,300,000	\$38,440,000

Table 2 – Proposed City Funding Commitment Updates

	Low- and Moderate-Income Housing Asset Fund	Real Property Transfer Tax (Measure E) Fund	Inclusionary Fee Fund	Total
Construction-Permanent Loan	\$20,140,000	\$14,000,000	\$4,300,000	\$38,440,000
Land Purchase	\$-	\$-	\$-	\$-
Total	\$20,140,000	\$14,000,000	\$4,300,000	\$38,440,000

Next Steps

The City would facilitate a construction financing closing by February 2026. Construction on the Development is estimated to begin in March 2026 and conclude approximately 24 months later.

EVALUATION AND FOLLOW-UP

The Housing Department posts a dashboard on the status of its affordable properties undergoing rehabilitation or construction on its website.¹ When the Development successfully closes construction financing, it will be included in the dashboard.

COST SUMMARY/IMPLICATIONS

The recommendations in this memorandum would reallocate previously approved acquisition funding to provide a construction-permanent loan commitment of \$38,440,000 to Core Affordable Housing, LLC, or an affiliated development entity, for the Development. The loan would be supported by the Low- and Moderate-Income Housing Asset Fund, Real Property Transfer Tax Fund, and Inclusionary Fee Fund.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 16, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

¹ Housing Department affordable properties webpage, Web Link: <https://www.sanjoseca.gov/your-government/departments-offices/housing/homelessness-program-dashboard>

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CEQA

Supplemental Environmental Impact Report for the Gateway Tower Mixed-Use Development Project (Resolution No. 78005), and Addenda, thereto.

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
Director, Housing Department

For questions, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov.