

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING UP TO A TOTAL COMMITMENT OF UP TO \$11,~~623,320650,000~~ IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS FOR A CONSTRUCTION-PERMANENT LOAN TO SATELLITE AFFORDABLE HOUSING ASSOCIATES, OR AN AFFILIATED DEVELOPMENT ENTITY, AND CAPITALIZATION OF UP TO \$~~533,320522,980~~ IN CONSTRUCTION PERIOD INTEREST FOR THE 226 BALBACH APARTMENTS PROJECT, A CITY-OWNED PROPERTY LOCATED AT 226 BALBACH ~~AVENUE~~STREET, THAT IS BEING DEVELOPED TO OFFER 86 AFFORDABLE, RENT-RESTRICTED APARTMENTS, AND ONE UNRESTRICTED MANAGER'S UNIT; (2) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS AND ALL OTHER DOCUMENTS RELATED TO CITY FINANCING FOR THE PROJECT; AND (3) APPROVING A LOAN-TO-VALUE RATIO OF GREATER THAN 100% FOR THIS LOAN

WHEREAS, on September 22, 2015, the City Council of the City of San José ("City Council") authorized the Director of Housing to negotiate and execute a purchase and sale agreement to acquire the property located at 226 Balbach Street ("Site") from the Successor Agency to the Redevelopment Agency; and

WHEREAS, on October 22, 2015, sale of the property was unanimously approved by the Oversight Board for the appraised value of \$2,400,000, and the Housing Department completed the acquisition in August of 2016; and

WHEREAS, on June 2, 2017, the City Council authorized the Director of Housing to negotiate and execute an Exclusive Negotiation Agreement ("ENA") and a

predevelopment loan with SAHA in the amount of \$200,000, for the potential development of the City-owned Site; and

WHEREAS, on September 27, 2017, the Director of Housing executed the ENA and predevelopment loan with Satellite Affordable Housing Associates (“SAHA”), allowing the Developer to move forward with development activities to build affordable housing at the Site; and

WHEREAS, in August 2018, a Notice of Funding Availability (“NOFA”) in the amount of \$100 million was released by the City of San José (“City”) that made funding available for affordable multifamily rental housing projects to house extremely low, very low and low income individuals and families; and

WHEREAS, the NOFA guidelines stated that the maximum loan amount will be \$125,000 per unit; and

WHEREAS, in response to the NOFA released by the City, SAHA submitted a proposal with a request for a commitment of funding in the amount of up to \$10,875,000 in City funds or \$125,000 per unit for the 226 Balbach Apartments project (“Project”), a new affordable rental housing development to be located at the Site; and

WHEREAS, since submitting its proposal SAHA has requested that the existing predevelopment loan and predevelopment loan interest be capitalized into the construction loan, therefore increasing the construction funding amount by \$215,000, reflecting estimated interest of \$15,000 until April 2020; and

WHEREAS, SAHA has also requested that the construction loan interest be capitalized into the permanent loan funding request, therefore increasing the overall funding request by an additional estimated \$~~533,320,522,980~~; and

WHEREAS, the capitalized interest and predevelopment loan funding for the Project will increase the loan amount to \$11,~~090,000,400,000~~ resulting in a per unit cost of approximately \$~~133,000,129,000~~; and

WHEREAS, a ground lease will also be negotiated with SAHA for a leasehold on the City-owned Site; and

WHEREAS, City's Loan to Value ("LTV") policy requires that the LTV ratio not exceed 100% in order to mitigate the City's risk of potential loss associated with a loan; and

WHEREAS, there is a possibility of an LTV ratio for the Project in excess of 100%; and

WHEREAS, staff recommends approval of a total commitment of up to \$11,~~623,320,650,000~~, in Low and Moderate Income Housing Asset Funds for a Construction-Permanent Loan to SAHA, and capitalization of up to \$~~533,320,522,980~~ in construction period interest; approval of a loan-to-value of greater than 100% for these loans; and authority to the Director of Housing to negotiate and execute all documents required to implement development of the Project, as set forth in the memorandum to Council from the Director of Housing dated January ~~23~~¹⁴, 2019;

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

- a. A total commitment of up to \$11,~~623,320~~~~650,000~~, in Low and Moderate Income Housing Asset Funds for a Construction-Permanent Loan to Satellite Affordable Housing Associates, or an affiliated development entity, and the capitalization of up to \$~~533,320~~~~22,980~~ in construction period interest for the 226 Balbach Apartments project, a new affordable development to be developed on City-owned property located at 226 Balbach Street, in order to offer 86 rent- and income-restricted apartments for extremely low, very low and low income individuals and families, and one unrestricted manager's unit, is hereby approved.
- b. The Director of Housing is hereby authorized to negotiate and execute loan documents and any related documents, and any modifications and amendments thereto, for the purpose of providing City financing for the Project.
- c. A loan-to-value ratio of greater than 100% for this loan, is hereby approved.

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

ADOPTED this _____ day of _____, 2019, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk