

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (A) APPROVING A TOTAL COMMITMENT OF UP TO \$53,050,885 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS (“LMIHAF”) OR SUCH OTHER SPECIAL FUNDS AS CITY MAY DESIGNATE AND MEASURE E FUNDS FOR CONSTRUCTION-PERMANENT LOANS TO THE FOLLOWING DEVELOPMENTS: (I) THE TAMIEN STATION AFFORDABLE DEVELOPMENT IN AN AMOUNT NOT TO EXCEED \$16,750,000 IN LMIHAF; (II) THE CHARLES DEVELOPMENT IN AN AMOUNT NOT TO EXCEED \$9,675,885 IN MEASURE E FUNDS; (III) ALUM ROCK MULTIFAMILY DEVELOPMENT (“1860 ALUM ROCK”) IN AN AMOUNT NOT TO EXCEED \$7,500,000 IN MEASURE E; (IV) WEST SAN CARLOS RESIDENTIAL DEVELOPMENT (ALSO KNOWN AS “777 WEST SAN CARLOS RESIDENTIAL”) IN AN AMOUNT NOT TO EXCEED \$19,125,000 IN LMIHAF; (B) AUTHORIZING THE LOAN TERMS TO ALLOW AN INCREASE IN THE RENTS AND INCOME RESTRICTIONS UP TO 60% AREA MEDIAN INCOME (LOW-INCOME) FOR NEW TENANTS IN PROJECT-BASED VOUCHERS SUBSIDIZED UNITS IN THE EVENT OF EXPIRATION OR DETERMINATION OF THE CONTRACT FOR PROJECT BASED VOUCHERS FOR: THE CHARLES DEVELOPMENT, 1860 ALUM ROCK, AND 777 WEST SAN CARLOS, AND FOR ALL NEW TENANTS FOR ALL FOUR PROJECTS IN THE EVENT OF FORECLOSURE, TO THE EXTENT THE CITY HAS DETERMINED SUCH INCREASE IS NEEDED FOR THE FEASIBILITY OF THE ABOVE DEVELOPMENTS AND ALLOWED BY OTHER FUNDS; (C) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS AND ALL OTHER DOCUMENTS, INCLUDING ANY AMENDMENTS THERETO, RELATED TO CITY FINANCING FOR THE DEVELOPMENTS; AND (D) APPROVING A LOAN-TO-VALUE RATIO OF GREATER THAN 100% FOR LOANS

WHEREAS, on December 20, 2021, under the City of San José (“City”) Council’s direction, the City Housing Department issued a \$150 million Notice of Funding

Availability (“NOFA”) for the development of affordable housing for extremely low-, very low-, and low-income individuals and families, prioritizing 45% of the funding for extremely low-income housing; and

WHEREAS, in response to the NOFA, the City received nineteen (19) applications from twelve (12) sponsors for a request of \$240,901,951 in total funding, and eleven (11) application requesting \$145,101,951 in funding were scored and selected after a detailed evaluation process based on the NOFA’s thresholds, submission requirements and project feasibility; and

WHEREAS, UrbanCo-Tamien, LLC, affiliated with Core Communities in partnership with Republic Urban, submitted a development proposal for the Tamien Station Affordable Development, located at 1197 Lick Avenue, which is being developed to provide 134 affordable rent-restricted apartments including 67 units for extremely low-income households earning up to 30% AMI and 67 units for low-income households earning up to 60% AMI, and one unrestricted manager’s home (“Tamien Station”); and

WHEREAS, Charities Housing Development Corporation of Santa Clara County (“Charities Housing”) submitted a development proposal for The Charles Development, located at 551 Keyes Street, which is being developed to provide 97 affordable rent-restricted apartments including 49 units for extremely low-income households earning up to 30% AMI and 48 units for very low-income households earning up to 50% AMI, and two unrestricted manager’s homes. (“The Charles”); and

WHEREAS, Charities Housing also submitted a development proposal for the Alum Rock Multifamily Development, located at 1860 Alum Rock Avenue, which is being developed to provide 59 affordable rent-restricted apartments including 30 units for extremely low-income households earning up to 30% AMI and 29 units for very low-

income households earning up to 50% AMI, and one unrestricted manager's home ("1860 Alum Rock"); and

WHEREAS, Danco Communities submitted a development proposal for the West San Carlos Residential Development (also known as "777 West San Carlos Residential"), located at 777 West San Carlos Street, which is being developed to provide 153 rent-restricted apartments including 102 units for extremely low-income households earning up to 30% AMI and 51 units for low-income households earning up to 60% AMI, and one unrestricted manager's home; and

WHEREAS, the four projects total funding commitment is up to \$53,050,885 to develop a total of 448 apartments for extremely low-, very low-, and low-income individuals and families; and

WHEREAS, the Projects applied for the following funding amounts: Tamien Station Affordable Housing Development up to \$16,750,000 for 135 apartments, The Charles up to \$9,675,885 for 99 apartments, 1860 Alum Rock up to \$7,500,000 for 60 apartments, and 777 West San Carlos Residential up to \$19,125,000 for 154 apartments; and

WHEREAS, these projects plan to use funds from the City's Low and Moderate Income Housing Asset Fund, Measure E Real Property Transfer Tax Revenue, American Rescue Plan funds, County of Santa Clara Measure A, and Tax-Exempt Multifamily Housing Revenue Bonds; 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 these Projects in excess of 100%;
and

WHEREAS, City staff is initially recommending the four NOFA awarded developments for approval of funding commitment to allow the Projects to move forward with their respective applications to the California Debt Limit Allocation Committee on August 9, 2022, with announcements expected on November 30, 2022; and

WHEREAS, staff is also requesting that City loan terms are authorized to allow an increase in the rents and income restrictions up to 60% Area Median Income for new tenants in project-based voucher subsidized units in the event of expiration or termination of the contract for project based vouchers for: The Charles Development, 1860 Alum Rock, and 777 West San Carlos Residential, and for all new tenants for all four Projects in the event of foreclosure, to the extent the City has determined such increase is needed for the feasibility of the above developments and allowed by other funds; and

WHEREAS, City staff further requests authorization for the Director of Housing to negotiate and execute loan documents and all other documents, including any amendments thereto, related to City financing for the developments and also that a loan-to-value ratio of greater than 100% for the loans be approved, as set forth in the Memorandum from the Housing and Budget Departments dated as June 21, 2022;

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

- (a) A total commitment of up to \$53,050,885 in Low and Moderate Income Housing Asset Funds ("LMIHAF") or such other special funds as the City may designate and Measure E Funds for Construction-Permanent loans, is hereby approved, to the

following developments as further described Memorandum from the Housing and Budget Departments dated as June 21, 2022:

- i. UrbanCo-Tamien, LLC, affiliated with Core Communities in partnership with Republic Urban, or an affiliated development entity for the Tamien Station Affordable Development, located at 1197 Lick Avenue, which is being developed to provide 134 affordable rent-restricted apartments, and one unrestricted manager's home in the amount not to exceed \$16,750,000 in LMIHAF;
 - ii. Charities Housing Development Corporation of Santa Clara County ("Charities Housing") or an affiliated development entity for the Charles Development, located at 551 Keyes Street, which is being developed to provide 97 affordable rent-restricted apartments, and two unrestricted manager's homes, in an amount not to exceed \$9,675,885 in Measure E funds;
 - iii. Charities Housing or an affiliated developments entity for the Alum Rock Multifamily Development ("1860 Alum Rock"), located at 1860 Alum Rock Avenue, which is being developed to provide 59 affordable rent-restricted apartments, and one unrestricted manager's home, in an amount not to exceed \$7,500,000 in Measure E funds;
 - iv. Danco Communities or an affiliated development entity for the West San Carlos Residential Development (also known as "777 West San Carlos Residential"), located at 777 West San Carlos Street, which is being developed to provide 153 rent-restricted apartments, and one unrestricted manager's home, in an amount not to exceed \$19,125,000 in LMIHAF.
- (b) The City loan terms, is hereby authorized, to allow an increase in the rents and income restrictions up to 60% area median income (low-income) for new tenants in project-based voucher subsidized units in the event of expiration or termination of the contract for Project Based Vouchers for: The Charles Development, 1860 Alum Rock, and 777 West San Carlos Residential, all new tenants for all four projects in the event of foreclosure, to the extent the City has determined such increase is needed for the feasibility of the above developments and allowed by other funds.

- (c) The Director of Housing, is hereby authorized, to negotiate and execute loan documents and all other documents, including any amendments thereto, related to city financing for the developments.
- (d) A loan-to-value ratio of greater than 100% for the City loans stated above, is hereby authorized.

ADOPTED this _____ day of _____, 2022, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk