



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Mayor Matt Mahan  
Councilmember Omar Torres

**SUBJECT:** SEE BELOW

**DATE:** March 17, 2023

APPROVED

Date: 03/17/2023

**SUBJECT: Master Pre-lease with PMI Partners LLC for the Pacific Motor Inn Located at 455 South Second Street.**

## **RECOMMENDATION**

1. Approve staff's recommendation.
2. Direct staff to move expeditiously to help secure this site and to move forward with both the interim and permanent phases of the Pacific Motor Inn Development.
3. Direct the City Administration to support PMI Partners LLC in securing tax credit financing for the Pacific Motor Inn Development.

## **BACKGROUND**

The City of San Jose has an opportunity to further invigorate the SoFA district with new affordable and market rate housing, bringing more foot traffic, customers, and life to our downtown. Uniquely, this project balances the need for affordable housing with the goal of attracting private investment.

Adoption of this resolution will help invest \$20 million of State Homekey funding into new affordable housing for low income and formerly unhoused residents. With this resolution, we will add 350 market-rate and 120 affordable homes to Downtown San Jose's premier art's district. We thank Westbank, PATH, the Office of Economic Development and Cultural Affairs, the Housing Department, and the City Attorney's Office for working collaboratively to bring this forward.

Since its inception, this project has had its challenges. The SoFA community originally expressed concerns about the quality of communication regarding project details and there was a sense of unease around the loss of an affordable hotel option that was popular amongst artists and visitors. Adding to the complexity, we learned the Homekey funds could not be used in a way that allowed for the efficient construction of both the market rate and affordable projects.

However, after a lot of hard work and creative thinking from Westbank, PATH, and key city staff, this development has become a model for how the private, non-profit, and government sectors can come together to achieve something remarkable.

We ask that the City Administration work expeditiously to resolve any outstanding concerns and that the Housing Department and Intergovernmental Relations Team work hand-in-hand to help PMI Partners LLC secure tax credit financing to build the 120-unit affordable housing project.