


**CITY COUNCIL ACTION REQUEST**

<b>Department(s):</b> Housing Department	<b>CEQA:</b> Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.	<b>Coordination:</b> City Attorney's Office and City Manager's Budget Office	<b>Dept. Approval:</b> /s/ Jacky Morales-Ferrand
<b>Council District(s):</b> 5			<b>CMO Approval:</b>  6/8/23

**SUBJECT: MEMORANDUM OF DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE GIRASOL SENIOR APARTMENTS LOCATED AT 1710 ALUM ROCK AVENUE**

**RECOMMENDATION:**

Approve the release of the Memorandum of Disposition and Development Agreement with MACSA Housing Corporation from the title for the Girasol Senior Apartments located at 1710 Alum Rock Avenue.

**BASIS FOR RECOMMENDATION:**

MACSA Housing Corporation was a nonprofit corporation that developed and operated Girasol Senior Apartments (Girasol), a 60-unit low-income housing development located at 1710 Alum Rock Avenue in San José.

In May of 1996, Girasol received a loan of \$527,000 and a grant of \$673,000 from the City of San José, and a Section 202 capital advance loan of \$5,095,700 from the United States Department of Housing and Urban Development (HUD), to provide 60 rental units, 59 of which were to be made to very-low-income senior households. The City's affordability restriction is for 40 years and expires in May of 2036. The City's loan and affordable restriction is subordinate to HUD's loan. If Girasol meets the terms of the affordability restrictions, the City's Promissory Note will be deemed "paid in full" upon maturity.

In 2017, MACSA Housing Corporation was dissolved and in October of 2021, HUD notified the City that foreclosure proceedings on Girasol had been initiated. If Girasol is foreclosed and offered for public sale, the City's affordability restrictions would be voided and San José would lose long-term affordable housing units. In order to preserve the affordable units, a non-profit affordable housing operator had to be identified to continue operations without disruption to Girasol's residents.

HUD selected the Santa Clara County Housing Authority (Housing Authority) to acquire Girasol and preserve the affordable units. The Housing Authority will record a new 55-year restriction at the time the building is acquired and transferred. However, for the Housing Authority to take the title of the property, the City must release the Memorandum of Disposition and Development Agreement (DDA) from 1996, which requires City Council approval in the absence of any specific delegation of authority to the Director of Housing or the City Manager's Office. Since no such delegation of authority has been found, City Council approval to release the Memorandum of DDA is necessary. The executed DDA has not been located after a diligent search, but the unsigned draft DDA authorized the removal of the Memorandum of DDA in the event of HUD foreclosure, and thus it is recommended that the City release the Memorandum of DDA from the property's title so that the Housing Authority can acquire and manage Girasol.

**Commission Recommendation/Input:**

No commission input or recommendation is associated with this action.

**COST AND FUNDING SOURCE:**

The City of San José provided a loan of \$527,000 and a grant of \$673,000 in 1996, both funded by the Low and Moderate Income Housing Asset Fund (346). The \$527,000 Promissory Note will be considered “paid in full” upon maturity in 2036.

**FOR QUESTIONS CONTACT:** Rosa Ly, Senior Development Officer, [rosa.ly@sanjoseca.gov](mailto:rosa.ly@sanjoseca.gov)