

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE: (A) APPROVING UP TO A TOTAL COMMITMENT OF \$9,984,212 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS FOR A CONSTRUCTION-PERMANENT LOAN TO RESOURCES FOR COMMUNITY DEVELOPMENT, OR AN AFFILIATED DEVELOPMENT ENTITY, FOR THE QUETZAL GARDENS APARTMENTS, A NEW AFFORDABLE DEVELOPMENT TO BE LOCATED AT 1695 ALUM ROCK AVENUE; (B) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS AND ALL OTHER DOCUMENTS REGARDING CITY FINANCING FOR THE PROJECT; (C) APPROVING A LOAN-TO-VALUE RATIO OF GREATER THAN 100% FOR THIS LOAN; AND (D) APPROVING A CHANGE IN THE AFFORDABILITY MIX OF THE PROJECT TO ALLOW MORE FLEXIBILITY WITHOUT COMPROMISING THE INTENT OF PROVIDING AFFORDABLE AND SUPPORTIVE HOUSING

WHEREAS, in July 2016, the City of San José (“City”), in partnership with the County of Santa Clara (“County”) and the Santa Clara County Housing Authority issued a \$48,000,000 Notice of Funding Availability (“NOFA”) for the development of affordable housing; and

WHEREAS, Resources for Community Development (“Developer”) submitted a proposal and received a tentative conditional award for the Quetzal Gardens Apartments, a new affordable development (“Project”) to be located at 1695 Alum Rock Avenue (“Site”); and

WHEREAS, on August 8, 2017, the City Council approved a Predevelopment Loan of \$1,000,000 for the Project, with an initially proposed unit affordability mix of 17

Extremely Low-Income (“ELI”) households at 20% of Area Median Income (“AMI”) and 53 Very Low-Income (“VLI”) households at 35%-50% of AMI; and

WHEREAS, the Developer may have the ability to secure predevelopment funding from another source with more favorable terms; and

WHEREAS, the Developer is also currently pursuing other supplemental construction/permanent funding sources for the Project, including Measure A Affordable Housing Bond, and the Affordable Housing and Sustainable Communities Program, and in order to qualify for certain supplementary funding sources, the Developer must obtain a City loan commitment, with revised assumptions for loan-to-value (“LTV”) ratio and affordability mix, as described in the memorandum to Council dated December 19, 2017; and

WHEREAS, the City’s LTV policy requires that the LTV ratio not exceed 100%, thereby reducing the City's risk of potential loss associated with a loan. However, the deep affordability of the Project, which is required to serve the homeless population, both increases the need for public subsidies and decreases the Project’s market value, possibly leading to an increased LTV ratio; and

WHEREAS, a higher LTV ratio is considered acceptable because the Project’s operating income is expected to be at least 115% of the permanent mortgage debt service payments Based on a common standard formula of financial feasibility; and

WHEREAS, the Housing Department recommends approval of Developer’s proposed adjustment to the unit mix, as follows: 47 units restricted to ELI households at 30% of AMI (incomes ranging from \$26,880 - \$37,260, dependent upon the number of bedrooms) and 23 restricted to Low-Income households at 60% of AMI (incomes ranging from \$53,760 - \$74,520, dependent upon the number of bedrooms), which

adjustment will position the Project to be more competitive for alternative funding sources, yet will not compromise the intent of providing affordable and supportive housing for vulnerable residents;

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

1. Approves up to a total commitment of \$9,984,212 in Low and Moderate Income Housing Asset Funds for a Construction-Permanent Loan to Resources for Community Development, or an affiliated development entity, for the Quetzal Gardens Apartments, a new affordable development to be located at 1695 Alum Rock Avenue, in order to offer rent-and income-restricted apartments for 70 extremely low-income and low-income households, and authorizing the Director of Housing to negotiate and execute loan documents and all other documents regarding City financing for the Project;
2. Approves a loan-to-value ratio of greater than 100% for this loan; and
3. Approves a change in the affordability mix of the Project to allow more flexibility without compromising the intent of providing affordable and supportive housing: 47 units will be price-restricted at 30% of Area Median Income; 23 units will be price-restricted to 60% of AMI; and one unit will be an unrestricted manager's unit.

ADOPTED this _____ day of _____, 2017, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk