

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING A CHANGE IN THE AFFORDABILITY RESTRICTION RECORDED ON THE EXISTING 153-UNIT MARKHAM PLAZA I APARTMENTS (FORMERLY TULLY GARDENS), FROM 152 UNITS AFFORDABLE TO EXTREMELY LOW-INCOME (“ELI”) HOUSEHOLDS AT UP TO 30% OF AREA MEDIAN INCOME (“AMI”) AND ONE UNRESTRICTED MANAGER’S UNIT TO 76 UNITS AFFORDABLE TO ELI HOUSEHOLDS AT UP TO 30% AMI AND 76 UNITS AFFORDABLE TO VERY LOW-INCOME HOUSEHOLDS (“VLI”) AT UP TO 35% OF AMI AND ONE UNRESTRICTED MANAGER’S UNIT; (2) AUTHORIZING AN INCREASE TO RENTS AND INCOME UP TO 60% AMI (LOW INCOME) FOR NEW TENANTS IN THE EVENT OF FORECLOSURE OR EXPIRATION OF SUBSIDY CONTRACTS, PROVIDED THE CITY HAS DETERMINED THE INCREASE IS NEEDED FOR FEASIBILITY OF THE DEVELOPMENT AND ALLOWED BY OTHER FUNDS; AND (3) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS, AMENDMENTS, AND ALL OTHER DOCUMENTS RELATED TO THIS ACTION

WHEREAS, on October 31, 2000, the City of San José (“City”) made a \$4,866,000 grant from the Redevelopment Agency’s Extremely Low Income funds, and a \$2,751,219 HOME Investment Partnership Program loan, together, to subsidize and fund the acquisition and development of the 153-unit Markham Plaza I Apartments, with 152 extremely low income units for tenants with incomes not exceeding 30% of Area Median Income (“AMI”) (“Assisted Units”), one unrestricted manager’s unit and related improvements (the “Project”); and

WHEREAS, in the spring of 2018, the Project's sponsor, CORE Affordable Housing, Inc. ("CORE"), applied to the City's Housing Department in connection with its proposed resyndication and rehabilitation transaction for the Project, and a public noticed Tax Equity and Fiscal Responsibility Act Hearing was held on March 6, 2019 before the Director of Finance in connection with the resyndication; and

WHEREAS, on March 15, 2019, CORE and the City submitted a joint application to the California Debt Allocation Committee ("CDLAC") for the issuance of \$26,000,000 in tax-exempt multifamily housing revenue bonds, to in part, finance the rehabilitation of the project, which awards are to be announced by CDLAC on May 15, 2019; and

WHEREAS, in addition to the CDLAC application, CORE submitted an application to the Tax Credit Allocation Committee ("TCAC") to be considered for low-income housing tax credits for the Project, which awards are to be announced by TCAC on May 15, 2019; and

WHEREAS, in June 2018, the Santa Clara County Board of Supervisors ("County") approved \$5,000,000 in Measure A funds for as a part of the financial restructure of the development, and additionally the County will provide a total of 30 project-based vouchers to the development, including 20 Veterans Affairs Supportive Housing ("VASH") vouchers under the Housing and Urban Development VASH and ten special needs project-based Section 8 vouchers, which will provide stability additional cash flow to the development ; and

WHEREAS, since the inception of the Markham Plaza I Apartments, all of the apartments are limited to 30% of AMI which create housing opportunities for the lowest incomes in our community. However, at the same time, the rents do not produce the revenue necessary to provide level of services necessary to serve the residents; and

WHEREAS, a Memorandum dated May 9, 2019 requested an increase of the AMI level for half the apartments in the development from 30% AMI to 35% AMI with the intend to improve cash flow to pay for enhanced services for the existing tenants and financially stabilize the development; and

WHEREAS, CORE has also requested that the City allow an increase to 60% AMI in the event of foreclosure or expiration of subsidy contracts, and staff believes that this is reasonable provided the City has determined the increase is needed for Project feasibility, and that the increases are limited to new or over-income tenants; and

WHEREAS, approval of the increase in the income limits and rents on the Project will enable CORE to refinance the existing debt and rehabilitate the development to preserve the units and continue serving the extremely low- and very-low income households in the City; and

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

1. A change in the affordability restriction recorded on the existing 153-unit Markham Plaza I Apartments (formerly Tully Gardens I), from 152 units affordable to extremely low-income ("ELI") households at up to 30% of Area Median Income ("AMI") and one unrestricted manager's unit to 76 units affordable to ELI households at up to 30% of AMI and 76 units affordable to very low-income households ("VLI") at up to 35% of AMI and one unrestricted manager's unit is approved hereby; and
2. An increase to rents and income up to 60% AMI (low income) for new tenants in the event of foreclosure or expiration of subsidy contracts, provided the City has determined the increase is needed for feasibility of the development and allowed by other funds is approved hereby; and

3. The Director of Housing is authorized to negotiate and execute loan documents, amendments, and all other documents related to this action.

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

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk