

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING UP TO A TOTAL COMMITMENT OF UP TO \$9,875,000 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS FOR A CONSTRUCTION-PERMANENT LOAN TO DANCO COMMUNITIES, OR AN AFFILIATED ENTITY, FOR THE WEST SAN CARLOS PERMANENT SUPPORTIVE HOUSING DEVELOPMENT, A NEW AFFORDABLE DEVELOPMENT TO BE LOCATED AT 750 WEST SAN CARLOS STREET, IN ORDER TO OFFER RENT- AND INCOME-RESTRICTED APARTMENTS FOR 80 EXTREMELY LOW-INCOME, VERY LOW-INCOME, AND LOW-INCOME HOUSEHOLDS, AND ONE UNRESTRICTED MANAGER'S UNIT; (2) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS, AMENDMENTS, AND ALL OTHER DOCUMENTS RELATED TO CITY FINANCING FOR THE PROJECT; (3) APPROVING A LOAN-TO-VALUE RATIO OF GREATER THAN 100% FOR THIS LOAN; AND (4) AUTHORIZING AN INCREASE IN THE DEVELOPMENT'S RENTS AND INCOME UP TO 60% OF AREA MEDIAN INCOME (LOW INCOME) FOR NEW TENANTS IN THE EVENT OF THE EXPIRATION OR TERMINATION OF SUBSIDY CONTRACTS, AND FOR ALL TENANTS IN THE EVENT OF A FORECLOSURE, TO THE EXTENT THE CITY HAS DETERMINED SUCH INCREASE IS NEEDED FOR FEASIBILITY OF THE DEVELOPMENT

WHEREAS, on August 31, 2018, following the City Council's direction, the Housing Department of the City of San José ("City") issued a \$100,000,000 Notice of Funding Availability ("NOFA") for the development of affordable housing for extremely low-income, very low-income, and low-income individuals and family; and

WHEREAS, the NOFA prioritized projects that provided housing for homeless households, that achieved cost effectiveness, and that leveraged additional non-City sources of financing, such as the Low Income Housing Tax Credits program; and

WHEREAS, in response to the NOFA, Danco Communities (“Developer”) submitted a project proposal with a request for a commitment of funding in the amount \$9,875,000 to provide 80 affordable units of one and two bedrooms, including 40 units for permanent supportive housing (“Project”) to be developed at 750 W. San Carlos Street in San José (“Property”) which will have Project Based Vouchers (“PBVs”), and the supportive services provided by the County of Santa Clara (“County”); and

WHEREAS, there will be 40 units at 25% Area Median Income (“AMI”), these being the PBVs, 20 units at 50% AMI, 19 units at 60% AMI, and a two-bedroom unrestricted manager’s unit, for a total of 80 units; and

WHEREAS, on August 20, 2018, the Developer formed the partnership, San Jose W San Carlos, LP, and utilized a \$9,300,000 acquisition loan from the County, coupled with a loan of \$1,000,000 from Destination HOME to purchase the Property and provide for predevelopment costs; and

WHEREAS, the County will purchase the Property prior to the construction loan closing, and City and County have agreed that the Borrower will enter into a long-term ground lease with the County, as owner of the Property, in order to ensure the long-term affordability of the Project ; 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 the Project in excess of 100%; and

WHEREAS, the Housing Department recommends approval of a Construction-Permanent Loan amount for up to \$9,875,000, from Low and Moderate Income Housing Asset Funds which equates to \$123,437 per unit, lower than the NOFA's \$125,000 maximum threshold per unit subsidy, with capitalized interest from the construction phase included in the permanent financing for this Project because the City funds will be utilized as both a construction and permanent financing; approval of a loan-to-value of greater than 100% for these loans; approval of an increase in the income and rent limits up to 60% of AMI for new tenants in the event of the expiration or termination of subsidy contracts, and for all tenants in the event of a foreclosure, to the extent the City has determined such increase is needed for feasibility of the Project; and authority to the Director of Housing to negotiate and execute all documents required to implement development of the Project, as set forth in the memorandum to Council from the Director of Housing dated December 13, 2019;

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

- a. A total commitment of up to \$9,875,000 in Low and Moderate Income Housing Asset Funds with capitalized interest from the construction phase included in the permanent financing, for a Construction-Permanent Loan to Danco Communities, or an affiliated entity, for the West San Carlos Permanent Supportive Housing development, a new affordable development to be located at 750 West San Carlos Street, in order to offer rent- and income-restricted apartments for 80 extremely low-income, very low-income, and low-income households, and one unrestricted manager's unit is hereby approved.
- b. The Director of Housing is hereby authorized to negotiate and execute loan documents and any related documents, and any modifications and amendments thereto, for the purpose of providing City financing for the Project.

- c. A loan-to-value ratio of greater than 100% for this loan, is hereby approved.
- d. An increase in the income and rent limits up to 60% of Area Median Income for new tenants in the event of the expiration or termination of subsidy contracts, and for all tenants in the event of a foreclosure, to the extent the City has determined such increase is needed for feasibility of the Project, is hereby authorized.

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

ADOPTED this ____ day of _____, 2020, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk