

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING A TOTAL COMMITMENT OF UP TO \$9,350,000 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS FOR A CONSTRUCTION-PERMANENT LOAN TO AFFIRMED HOUSING GROUP, INC., OR AN AFFILIATED DEVELOPMENT ENTITY, FOR THE ALUM ROCK FAMILY HOUSING PROJECT LOCATED AT 2350 ALUM ROCK AVENUE BEING DEVELOPED TO OFFER 85 AFFORDABLE RENT AND INCOME-RESTRICTED APARTMENTS FOR EXTREMELY LOW-INCOME, VERY LOW-INCOME, AND LOW-INCOME HOUSEHOLDS; (2) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS 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 THE CITY LOAN TERMS TO ALLOW AN INCREASE IN THE PROJECT'S RENTS AND INCOME UP TO 60% 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

WHEREAS, on August 31, 2018, a Notice of Funding Availability ("NOFA") in the amount of \$100 million was released by the City of San José ("City") that made funding available for housing developers to submit written proposals for affordable multifamily rental housing projects providing extremely low, very low and low income individuals and families; and

WHEREAS, in response to the NOFA released by the City, Affirmed Housing Group, Inc. ("Affirmed") submitted a proposal with a request for a commitment of funding in the amount of up to \$9,350,000 in City funds for the Alum Rock Family Housing, an

affordable housing project that will include 87 dwelling units located at 2350 Alum Rock Avenue; and

WHEREAS, the proposed project will consist of 85 affordable apartments with 51 apartments restricted to Extremely Low-Income households with rents restricted based on 30% of Area Median Income ("AMI"), 18 ~~54~~ apartments restricted to Very Low-Income households with rents restricted based on 50% of AMI, 16 apartments restricted to Low-Income households with rents restricted based on 60% of AMI, with 14 units of these apartments available for Rapid Rehousing and 29 units reserved for Permanent Supportive Housing and related improvements ("Project"); and

WHEREAS, Affirmed is currently pursuing or has recently been approved for other construction/permanent funding sources for the Project, including Measure A Affordable Housing Bond funds from the County of Santa Clara ("County") in the amount of \$15,650,000; and

WHEREAS, Affirmed has also applied for 29 Project Based Vouchers to ~~providing~~ provide a funding for all of the Permanent Supportive Housing apartments (the "subsidy"); and

WHEREAS, Affirmed or its affiliated development entity will apply for funding in the January 2020 State Tax credit and California Debt Limit Allocation Committee ("CDLAC") joint application funding round; requesting an allocation of up to \$42,000,000 from CDLAC and \$4,251,388 in state tax credits; 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 City's affordability restriction will not be subordinated to the senior loan, and therefore the restriction will need to allow an increase in the Project's rents and income limits up to 60% AMI (low income) for new tenants in the event of the expiration or termination of the 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

WHEREAS, staff recommends approval of a total commitment of up to \$9,350,000 from Low and Moderate Income Housing Asset Funds, for a Construction-Permanent Loan to the Project, authorization for the Director of Housing to negotiate and execute all documents related to financing of the Project; approval of a loan-to-value of greater than 100% for this loan; and to allow an increase in the project rents and income up to 60% AMI (low income) for new tenants in the event of the expiration or termination of the 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 project, as set forth in the memorandum to Council from the Director of Housing dated December 11, 2019, and any supplemental memo to Council from the Director of Housing;

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

1. A total commitment of up to \$9,350,000 in Low and Moderate Income Housing Asset Funds for a Construction-Permanent Loan for the 87 unit affordable Alum Rock Family Housing Project located at 2350 Alum Rock Avenue is hereby approved.
2. The Director of Housing is hereby authorized to negotiate and execute loan documents, amendments and all other documents related to City loan financing for this affordable housing Project.
3. A loan-to-value ratio of greater than 100% for this Project is hereby approved.

4. The Project's rents and income limits may be increased 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 Project.

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

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk