



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Councilmember Maya Esparza

**SUBJECT:** SEE BELOW

**DATE:** March 10, 2020

Approved

*Maya Esparza*

Date

*3/9/2020*

**SUBJECT: TEFRA HEARING FOR CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY ISSUANCE OF TAX-EXEMPT  
MULTIFAMILY REVENUE BONDS TO ACQUIRE AND  
REHABILITATE THE VALLEY PALM APARTMENTS**

## RECOMMENDATION

1. Accept the staff recommendation relative to the TEFRA Hearing for California Statewide Communities Development Authority's Issuance of Tax-Exempt Multifamily Revenue Bonds to Acquire and Rehabilitate the Valley Palms Apartments, including approval of the proposed Regulatory Agreement between the City of San José and KDF Properties, LLC.
2. Direct Staff to return to Council to provide updates on the status of the Regulatory Agreement implementation at 6 months, 12 months, and 18 months, including updates on:
  - a. the installations of security cameras and exterior lighting.
  - b. the expanded family resource center and soccer field.
  - c. replacement of the property management company.
  - d. Any additional negotiations between the Owner and County of Santa Clara (and any successor public entity services funder)
  - e. agreed upon security levels and ongoing collaboration with SJPD.
  - f. the updated property management plan that includes a resident grievance process, a tenant participation plan, procedures for handling late rent payments, resident use of community facilities, and protocol for access for resident service providers
  - g. anonymous resident survey regarding Project Access and the improvement plan.
  - h. Availability of the current form lease/rental agreement in Spanish and Vietnamese.
  - i. General maintenance of the Project as per item "k" in Exhibit E, City of San José Requirements for the Regulatory Agreement.

## **BACKGROUND**

The Valley Palms Apartments consist of 354 affordable one and two bedroom units, and are located in the 95122 ZIP code. This ZIP code has the second highest number of arrests and citations of youth in Santa Clara County, and has been identified by the Mayor's Gang Task Force and Santa Clara County Probation Department as an area of high need for violence prevention investments.

### *Prior Council Action*

In January 2019, KDF (Property owner) applied for a bond issuance of \$120 million to renovate the Valley Palms Apartments. This coincided with the instatement of a new VPM (Property management company) manager for Valley Palms. A TEFRA Hearing was scheduled for February 5, 2019 at the San Jose City Council Meeting. I submitted a memo to Council outlining the Valley Palm Community's concerns and recommendations to be included in the bond issuance agreement (Attachment A):

1. Establish and implement a security plan for the site.
2. Expand existing Family Resources Center (FRC) to provide more space for services to residents.
3. Transform the existing tennis court into a turf soccer field.

The Council unanimously approved the recommendations, and KDF agreed to the 3 items. Council also requested a report back from KDF by October 2019.

### *Continued Challenges around Access to the Family Resources Center*

In April, 2019, KDF and the County Probation Neighborhood Services Unit (NSU) discussed the expanded center space and soccer field as the first parts of the project. A joint-use agreement was drafted between KDF, VPM, Project Access (a Los Angeles based non-profit chosen by KDF, currently serving as the exclusive onsite resident services provider), NSU, Valley Palms Unidos, and Somos Mayfair.

As outlined in more detail in the NSU Letter to the San Jose City Council, NSU has had a three-year, \$173,263 service agreement since July, 2017 with Project Access. Project Access provides 24 hours of resident engagement services weekly, with County funding providing staffing to keep the FRC open for a full 40 hours per week. With NSU support, Somos Mayfair forged a partnership with Valley Palms Unidos to pilot their Promotora model at Valley Palms. The Promotoras facilitate leadership development, organize ongoing VPU programs, and grow the base of the collective. NSU has also dedicated a full time Probation Community Worker to assist Project Access in expanding access to the onsite FRC and coordinating efforts across the county and city partners to expand the menu of services and programs available to residents.

In May, 2019, Project Access collected the keys for the FRC from all partners, including NSU, Catholic Charities, and Somos Mayfair due to new risk management committee concerns over insurance and liability. The hours of the Project Access Resident Services Coordinator, were limited, and partner access to center made dependent on Project Access. These actions

significantly limited after hours (after 5pm and weekend) programming. About the same time, there was a change in security to an armed security company, Personal Protective Services (also providing services at Foxdale Apartments in District 5). Over the course of the summer, the Project Access Resident Services Coordinator left, and instead a Project Access regional manager was onsite at the FRC. The manager cleaned the center and threw out VPU materials without consulting VPU. The result has been continued declining collaboration and limited programming at the FRC into Fall 2019.

Negotiations on a joint-use agreement continued during this time, with no compromise reached on liability. NSU noted that one agency was asked to provide their full general liability insurance policy to Project Access, rather than the standard Certificate of Insurance. Staff changes during this time included a new Project Access Resident Services Coordinator in September, and a new Valley Palms Program Coordinator at Somos Mayfair. Valley Palms Unidos Promotoras continued efforts to access and activate the FRC. In October, 2019, VPU requested and held a meeting with the Project Access Director of Programs to discuss challenges to the partnership and recommend solutions; there were no changes as a result of this meeting. In absence of a necessary joint-use agreement, programs and services intended to serve the residents of Valley Palms have not occurred, resulting in Project Access's inability to comply with the terms and conditions of their service agreement with Probation. Consequently, NSU placed Project Access on a Program Improvement Plan in October. Meanwhile, the requested October update to Council in the TEFRA approval never came.

#### *VPU Response and Resident Concerns*

VPU began drafting a letter of recommendations in November, 2019, which was eventually sent in January 2020 to Department of Housing, the City Council, Mayor, Board of Supervisors, and NSU, and received little further collaboration with Project Access (Attachment C). The letter notes that due to this lack of collaboration "there has been little to no use of the family resource center... While Project Access continues to schedule programming without consultation or collaboration with the community, attendance has dropped dramatically over the last few months, as community members do not feel their programming is relevant, accessible, or welcoming." The FRC was open for only 15 days in February, 2019.

Beginning in January 2020, VPU moved their general meeting and programs offsite due to these ongoing difficulties. As recently as February 29<sup>th</sup>, VPU leaders entered the FRC with Project Access staff present, to retrieve some of their own materials, and were told by Project Access management that they could not be in the FRC due to lack of proper fingerprinting documentation, despite the fact that there were no minors present, and it was prior to a scheduled teen program.

In addition to these difficulties with Project Access, Valley Palms residents have raised a number of troubling concerns with regard to the property management (Attachment D). One Valley Palms resident, a mother of two, recounted having to wait 8 months for a repair for a hole in the ceiling which limited use of the room, and over four months for repairs for a shower drain clogged due to old piping throughout the complex, during which time she and her family had to manually empty the shower water into the sink after each use. The resident also notes that two of her four stovetops function, and that they both emit sparks. She has reported this to management numerous times, but nothing has been done. The resident reports that current management appears to be focused on ensuring clean patios, and has been seen inspecting patios as late as

11pm by flashlight. Another resident has reported that the property manager knocked very loudly on her door and, upon the resident opening the door, immediately entered the apartment, having not provided a requisite written notice. Residents have also reported challenges in receiving adequate responses from management on late rent notices, being given only an unresponsive corporate number to contact. One resident sent in a check on the same date she usually did which was deemed late, and the company held the check, rather than returning or cashing it, leading to her bank placing a 6 month hold on the check, leaving her in a very difficult financial situation.

In speaking with the NSU, other community partners, and the residents of Valley Palms, it is clear that KDF, their chosen management company, VPM Management, Inc., and their chosen resident services provider, Project Access, have not been acting in the best interests of their tenants at Valley Palms Apartments, and have been systematically failing to address the stated needs of their tenants, including concerns upon which the City Council conditioned our approval of the original TEFRA hearing.

### *Housing Follow Up*

On February 10<sup>th</sup>, 2019, the Director of Housing sent a letter to KDF outlining the City, County, and community concerns regarding Valley Palms, noting that KDF had yet to provide documentation on the three priorities in Councilmember Esparza's memo as adopted by Council. KDF's response to staff's letter, and their subsequent cooperation with the City, including a site walkthrough with SJPD on February 26, 2020, have given us reason to believe that through the implementation of the proposed Regulatory Agreement, we can achieve a solution that addresses the needs of the residents of Valley Palms. In just the past week, it appears that a tentative Joint Use Agreement framework for the FRC has finally materialized between KDF and the County. We need to ensure that we as a city follow up on the implementation of the Regulatory Agreement through our role as administrator for the Agreement, and confirm that the terms have been met. We believe the best way to assure this is through regular, 6 month status updates from Staff to the City Council continuing for at least 18 months after the implementation of the Agreement, through continuing engagement with the Owner, County Department of Probation Neighborhood Services Unit (or any successor resident services provider), Valley Palms Unidos, and any other relevant stakeholders.

The residents of Valley Palms are some of the hardest working, most underserved members of our community, and we owe it to those residents to use this opportunity to address these ongoing issues, and help them build a stronger, safer community for their families. We can do this by approving staff recommendations, in particular, the terms of the Regulatory Agreement, and ensuring that the Owner complies with these terms.