

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE APPROVING A TOTAL COMMITMENT OF \$5,250,000 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS AND \$500,000 IN AFFORDABLE HOUSING IMPACT FUNDS FOR A CONSTRUCTION PERMANENT LOAN TO EDEN HOUSING, INC. FOR THE DEVELOPMENT OF AFFORDABLE HOUSING ON CITY-OWNED PROPERTY LOCATED AT 5647 GALLUP DRIVE AND 1171 MESA DRIVE (“PROJECT”); AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS AND ALL OTHER DOCUMENTS REGARDING CITY CONSTRUCTION AND PERMANENT FINANCING OF THE PROJECT; APPROVING A LOAN-TO-VALUE RATIO OF GREATER THAN 100% FOR THIS LOAN; APPROVING AN AFFORDABILITY MIX AMONG UNITS IN THE PROJECT; AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE A 75-YEAR GROUND LEASE AND OTHER RELATED DOCUMENTS WITH EDEN HOUSING, INC. FOR THE PROJECT

WHEREAS, in June 2017, the City Council authorized the Director of Housing to negotiate and execute an Exclusive Negotiation Agreement (“ENA”) with Eden Properties, Inc., or its affiliate (“Developer”), for the potential development of affordable housing on the City-owned property located at 5647 Gallup Drive and 1171 Mesa Drive (“Site”) and negotiate and execute documents for a predevelopment loan to Developer in an amount not exceed \$200,000 from the Low and Moderate Income Housing Asset Fund (“LMIHAF”) to support Developer’s predevelopment activities for future development of the Site; and

WHEREAS, the Director of Housing executed the ENA and predevelopment loan documents for Developer to proceed with the preparation of a development concept and plans for the Site; and

WHEREAS, in August 2018, the Housing Department released a \$100 million Notice of Funding Availability (“NOFA”) for the funding of affordable housing, and in response to the NOFA, Developer submitted a proposal and received a tentative conditional award for the Project; and

WHEREAS, the Project was deemed eligible for 23 project-based vouchers (“PBV”) from the Santa Clara County Housing Authority, supportive services from the County of Santa Clara (“County”) to be reserved for units made available to transitional age youth, a Santa Clara County Office of Supportive Housing loan in the amount of \$7,000,000, and a subsidy commitment request to the City Council which is the subject of this resolution; and

WHEREAS, the Project applied and has been deemed qualified by the Planning, Building, and Code Enforcement Department for Senate Bill (SB) 35 Streamlined Ministerial Approval Process from the Planning Department available for projects located in jurisdictions that have not yet made sufficient progress towards their affordable housing goals for above-moderate and lower income levels as mandated by the State of California; and

WHEREAS, the Project qualified for a State Bonus Density request of 35% because at least 58% of the units, or 27 units, are restricted to very low-income households; and

WHEREAS, on September 26, 2017, the County issued a \$950 million NOFA for the Measure A Affordable Housing Bond (“Measure A”) to create new affordable rental and homeowner housing opportunities, and, on August 23, 2019, Developer applied for Measure A funds and, on October 22, 2019, the County Board Supervisors appropriated \$7,000,000 in Measure A funds for the Project; and

WHEREAS, on March 2, 2020, Developer has submitted a request to the State of California Department of Housing and Community Development (“HCD”) Multifamily Housing Program (“MHP”) in the amount of \$9,816,000 and early indications from HCD indicate the Project scored well, although final decisions are not anticipated until June 2020; and

WHEREAS, Developer must obtain a City loan commitment with revised assumptions for loan-to-value (“LTV”) ratio and affordability unit mix and ground lease or an option to ground lease from City that demonstrates site control of the Site, in order to secure a Tax Credit Allocation from the California Tax Credit Allocation Committee and California Debt Limit Allocation Committee necessary to develop the Site; and

WHEREAS, the affordability mix for the Project shall consist of fifteen (15) units restricted to households with income at or below 25% of Area Median Income (“AMI”), one (1) unit restricted to a household with income at or below 30% of AMI, eleven (11) units restricted to households with income at or below 40% of AMI, twelve (12) units restricted to households with income at or below 50% of AMI, two (2) units restricted to households with income at or below 60% of AMI, four (4) units restricted to households with income at or below 80% of AMI, and one (1) unit as an unrestricted manager’s unit; and

WHEREAS, the City desires to approve a Construction-Permanent Loan totaling \$5,750,000 to Eden Housing, Inc. to develop the Project, to approve a loan-to-value ratio greater than 100% for this Loan, and to approve an affordability mix among units in the Project; and

WHEREAS, the City desires to authorize the Director of Housing to negotiate and execute loan documents and any related documents regarding City construction and the permanent financing of the Project; and

WHEREAS, the City also desires to authorize the Director of Housing to negotiate and execute a 75-year ground lease to Developer, and any other documents or amendments related thereto including an option to ground lease and an extension of that certain Exclusive Negotiations Agreement between City and Developer dated September 25, 2017, as amended, in connection with the Project;

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

1. The City Council approves the commitment of \$5,250,000 in LMIHAF and \$500,000 in Affordable Housing Impact Funds ("AHIF") for a Construction-Permanent Loan totaling \$5,750,000 to Eden Housing, Inc. or its affiliate ("Developer") to develop a new 46 unit affordable housing development, a loan-to-value ratio of greater than 100% for the construction and permanent loan, and an affordability mix for the Gallup Mesa project consisting of fifteen (15) units restricted to households with income at or below 25% of Area Median Income ("AMI"), one (1) unit restricted to a household with income at or below 30% of AMI, eleven (11) units restricted to households with income at or below 40% of AMI, twelve (12) units restricted to households with income at or below 50% of AMI, two (2) units restricted to households with income at or below 60% of AMI, four (4) units restricted to households with income at or below 80% of AMI, and one (1) unit as an unrestricted manager's unit; and
2. The Director of Housing is authorized to negotiate and execute loan documents and all other documents or amendments related thereto in connection with the construction and permanent financing of the Gallup Mesa project; and

3. The Director of Housing is authorized to negotiate and execute a ground lease with Developer of the City-owned properties located at 5647 Gallup Drive and 1171 Mesa Drive for a term of seventy-five (75) years, and any other documents or amendments related thereto including an option to ground lease and an extension of that certain Exclusive Negotiations Agreement between City and Developer dated September 25, 2017, as amended, for the purpose of constructing and operating 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